



Provo Gas Producers Limited

1966

J. P. Gallagher

Annual Report

Provo Gas Producers Limited · 1966 · Annual Report



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Directors

N. J. ALEXANDER	Winnipeg, Manitoba
D. R. ANNETT	Toronto, Ontario
H. T. ASTLE	Calgary, Alberta
B. H. COREY	Calgary, Alberta
W. V. MACINNES	Freeport, Bahamas
C. S. DUNKLEY	Calgary, Alberta
J. P. GALLAGHER	Calgary, Alberta
W. E. RICHARDS	Calgary, Alberta
D. M. WOLCOTT	Calgary, Alberta

Officers

J. P. GALLAGHER	President
D. M. WOLCOTT	Vice-President
W. E. RICHARDS	Secretary
H. T. ASTLE	Treasurer

Provo's wholly-owned Steelman gas plant in southeast Saskatchewan.



Comparative Highlights

<i>Financial</i>	1966	1965
Gross Income (after royalties & cost of sales)	\$ 8,420,712	\$ 7,196,951
Cash Flow (after operating, administrative & interest expenses) . . .	3,876,077	3,450,877
Cash Flow per share*	44¢	41¢
Net Income (after all charges)	2,081,816	1,723,869
Net Income per share*	24¢	20¢
Working Capital Deficit	637,818	371,366
Long Term Debt	23,086,930	22,823,813

*1966 net income and cash flow per share are based on the average shares outstanding during the year.

<i>Operating</i>	1966	1965
Gas Production (billion cubic feet)	26.2	26.0
Oil Production (net barrels)	588,364	534,493
Liquefied Petroleum Gas Production (barrels)	1,619,759	1,465,099
Proved Gas Reserves (billion cubic feet)	627 *	543
Proved Oil & Condensate Reserves (net barrels)	11,928,000 *	9,454,000
Wells Drilled	100	76
Land - Gross Acres	5,949,972	4,574,039
Land - Net Acres	1,638,198	1,120,702

*Excludes all Zama reserves.

Report of the Directors

To the Shareholders

The Company's 1966 operations were highlighted by important oil and gas discoveries on its Zama properties and the following increases in other phases of its operations:

—Gross income increased 17%, cash flow increased 12% and net income increased 21%.

—Oil production increased 10% to 588,364 barrels, liquefied petroleum gas production increased 10% to 1,619,759 barrels and

gas production increased slightly to 26.2 billion cubic feet.

—Proved reserves, excluding Zama reserves, increased 26% to 11,928,000 net barrels of oil and 15% to 627 billion cubic feet of gas.

—Provo participated in drilling 100 wells, of which 34 were completed as oil producers and 27 as gas producers.

Financial

Gross income (after all royalties and cost of sales) increased to \$8,420,712 in 1966 from

\$7,196,951 in 1965. Cash flow (after operating, administrative and interest expenses) increased to \$3,876,077 or 44¢ per share from \$3,450,877 or 41¢ per share. Net income (after all expenses, including depreciation, depletion, and amortization) increased to \$2,081,816 or 24¢ per share from \$1,723,869 or 20¢ per share in 1965.

In September, 1966, the Company offered its shareholders the right to subscribe for 600,000 additional shares of its Common Stock at a price of \$3.15 per share, which was approximately 10% below the market price at that time. This offer was made on the basis of one new share for every 15 shares held. Ninety-three percent

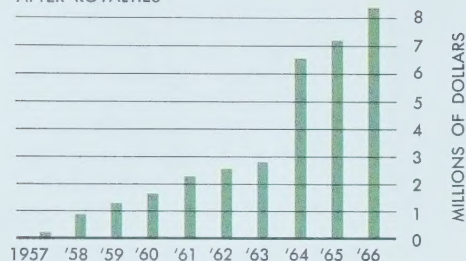
Source of 1966 Income

Natural Gas Sales		Propane & Other Product Sales
▼		▼
25.9%	16.7%	53.4%
▲		▲
Crude Oil Sales		Other Income

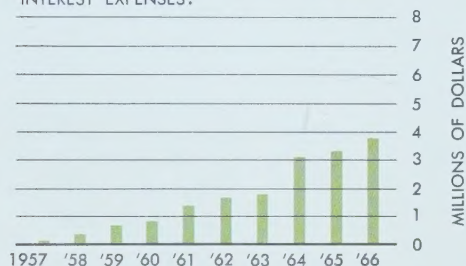
Distribution of 1966 Income

Oil & Gas Operating Expenses	Interest		Net Income	
▼	▼		▼	
11.6%	25.0%	17.4%	21.3%	24.7%
▲		▲		
Plant & Marketing Expenses		Depreciation & Amortization		

GROSS INCOME AFTER ROYALTIES

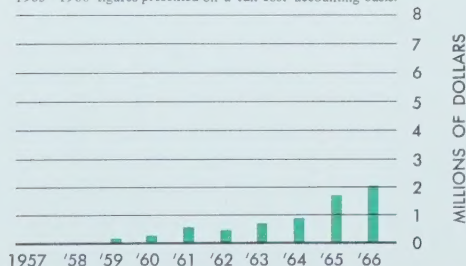


CASH FLOW AFTER OPERATING, ADMINISTRATIVE AND INTEREST EXPENSES.



NET INCOME AFTER ALL CHARGES

1965 - 1966 figures presented on a full-cost accounting basis.



of the rights offered were exercised and, pursuant to the underwriting agreement, Dome Petroleum Limited purchased the balance of the available shares. The funds derived from this offer were used in the Company's operations, particularly in the Zama area.

FIRST QUARTER, 1967

Gross income for the first quarter of 1967 increased 35% to \$2,629,000 from \$1,948,000 in the same quarter of 1966. Cash flow for this quarter increased 61% to \$1,482,000 or 16¢ per share from \$918,000 or 11¢ per share.

Production

Net oil production (after all royalties) increased to 588,364 barrels (1,612 barrels per day) in 1966 from 534,493 barrels (1,464 barrels per day) last year. Gas production showed a slight increase during the year to 26.2 billion cubic feet (71.7 million cubic feet per day) from 26.0 billion cubic feet (71.3 million cubic feet per day) in 1965.

Liquefied petroleum gas production increased to 1,619,759 barrels (4,438 barrels per day) from 1,465,099 barrels (4,013 barrels per day) in 1965. A summary of all plant production is as follows:

	1966	1965	1964
Propane (bbls)	1,071,992	932,457	874,955
Normal Butane (bbls)	235,858	293,771	251,988
Iso-Butane (bbls)	86,141	68,950	71,300
Natural Gasoline (bbls)	225,778	169,922	170,793
Sulphur (Long tons)	2,705	—	—

At December 31, 1966, the Company held interests in producing properties equivalent to 83 net oil wells and 88 net gas wells.



Drilling on Company acreage in the Willesden Green field. The Company participated in drilling 14 oil wells in this field in 1966 and has drilled another 6 since year-end. These bring its field total to 34 oil producers.

FIRST QUARTER, 1967

Net oil production increased 22% to 1,870 barrels per day in the first quarter of 1967, from 1,532 barrels per day in this quarter last year. Gas production increased 10% to 82.9 million cubic feet per day from 75.0 million cubic feet per day in the first quarter, 1966. Liquefied petroleum gas production increased 32% to 5,441 barrels per day from 4,130 barrels per day last year.

Reserves

The Company's net proved recoverable oil and condensate reserves at December 31, 1966, (exclusive of Zama reserves) were estimated at 11,928,000 barrels after deducting all royalties and partners' interests and 1966 produc-

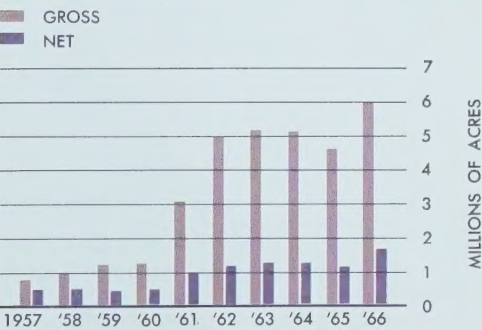
tion. This compares with reserves of 9,454,000 barrels at the end of 1965.

Proved recoverable natural gas reserves (exclusive of Zama reserves) were estimated at 627 billion cubic feet at year-end compared with 543 billion cubic feet last year.

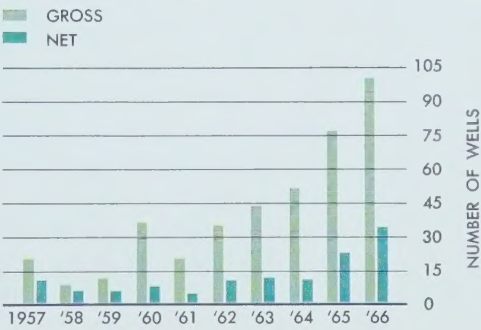
Reserves attributable to the oil and gas discoveries at North Zama are excluded as this information is being held confidential in order to retain a competitive advantage in bidding on unleased Crown acreage in this area. The reserve figures also exclude all probable reserves, the heavy gravity oil reserves at Hughenden and the gas reserves being processed by the Steelman and Edmonton plants.

The reserve estimates were made by the independent consulting firm of James A. Lewis Engineering Co. Ltd.

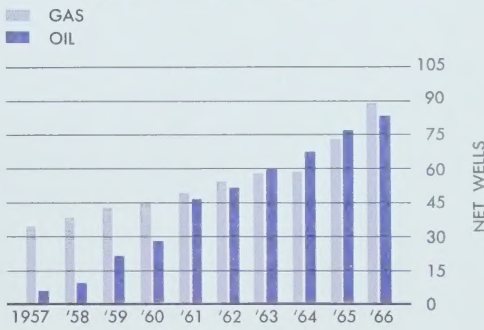
LAND HOLDINGS

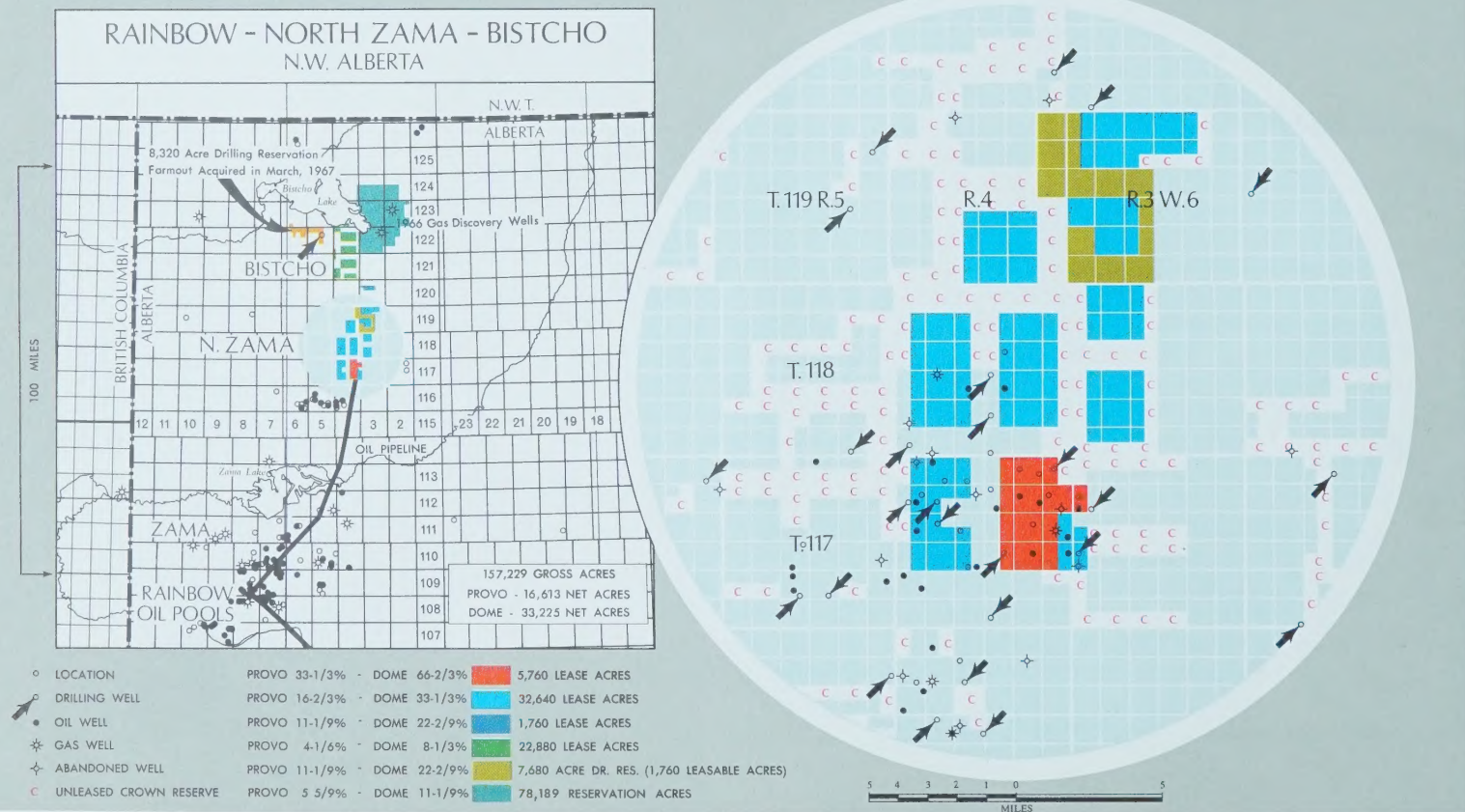


WELLS DRILLED



NET PRODUCING WELLS





Exploration and Development

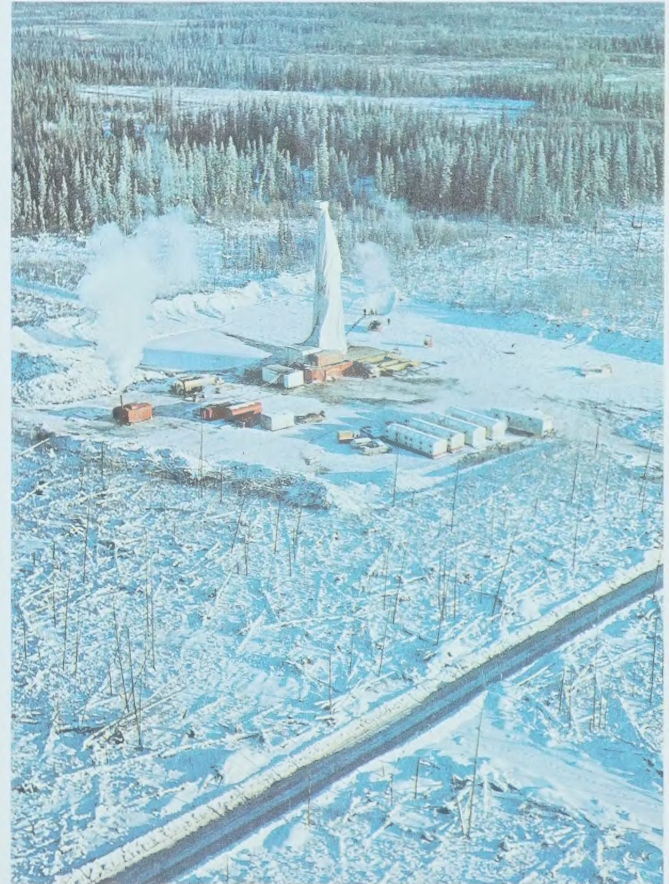
In 1966 the Company participated in a record drilling program involving 100 wells (33.6 net) which resulted in 34 oil wells (7.0 net), 27 gas wells (16.5 net) and 39 dry holes (10.1 net). These include 8 dry holes that were drilled under farmout from Provo at no cost to the Company.

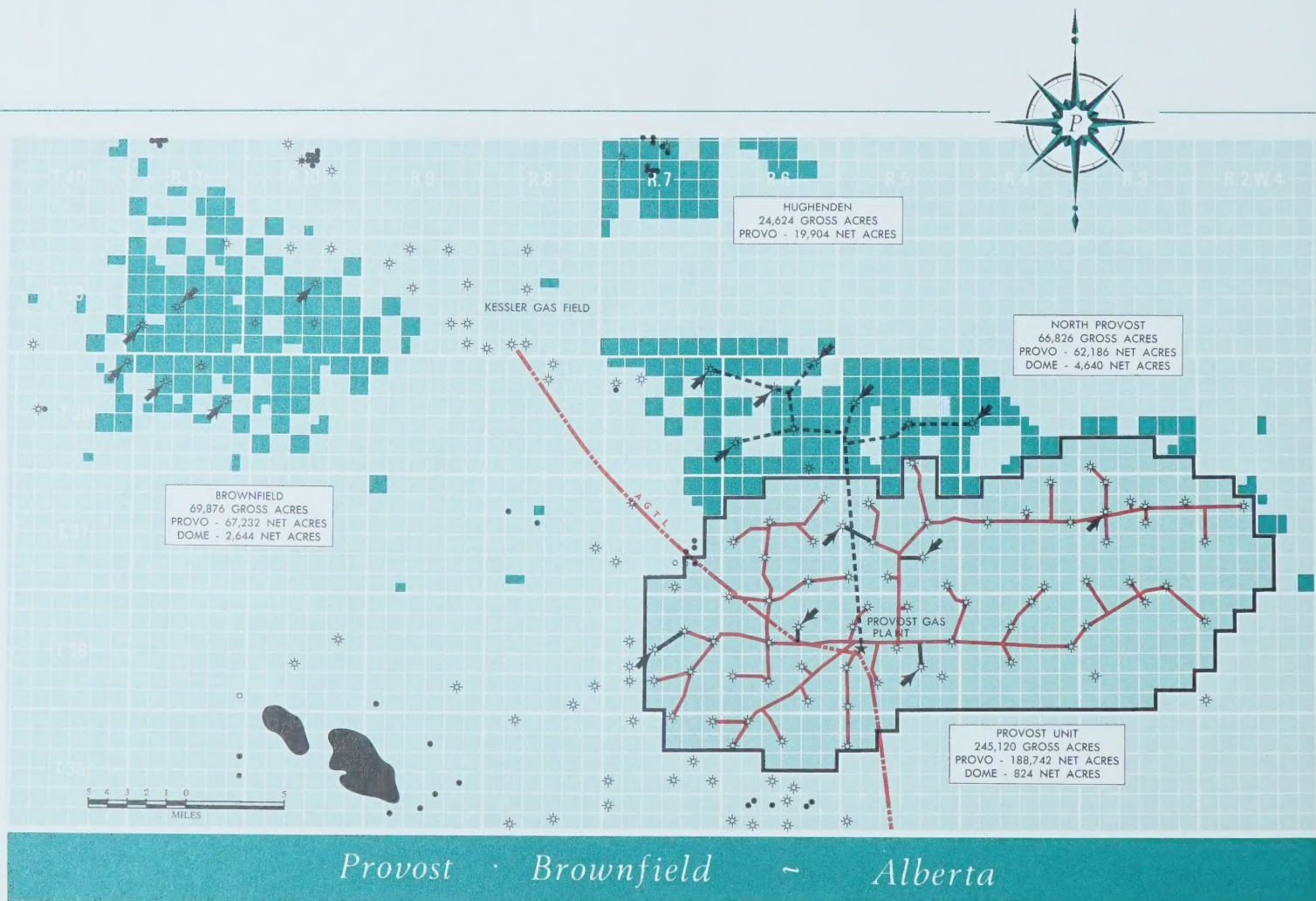
The majority of the Company's 1966 drilling took place in Alberta where it participated in 67 wells, which resulted in 28 oil wells and 22 gas wells. These included 3 oil discoveries and 14 gas discoveries.

The most important of these operations were centred in the North Zama area of northern Alberta. From October, 1966, through March, 1967, Provo participated in drilling 11 Keg River oil discoveries and 2 gas discoveries in this area. All but one of the oil wells also discovered substantial gas reserves in formations above the Keg River oil zone. Provo owns interests varying from 16 $\frac{2}{3}$ % to 33 $\frac{1}{3}$ % in these wells. Five drilling rigs are currently active on the Company's Zama acreage where it is planned to continue drilling through the remainder of the year to test the many seismic anomalies that have been mapped to date on Company lands. Casing and other supplies have been stockpiled at Zama to reduce the cost of summer drilling.

The extension of the Rainbow Pipeline to the North Zama area has been completed and oil production is scheduled to commence in April.

Provo's canvas-shrouded North Zama #9-13 well. This area of northwest Alberta has been the centre of seismic operations and exploratory drilling activity during the last six months. All Provo wells in this area are protected in this way to prevent scouting of drilling and testing activity by competing companies. Extreme precautions are necessary to keep vital well information confidential and thereby maintain a competitive advantage in the bidding for adjoining unleased Crown acreage. ►



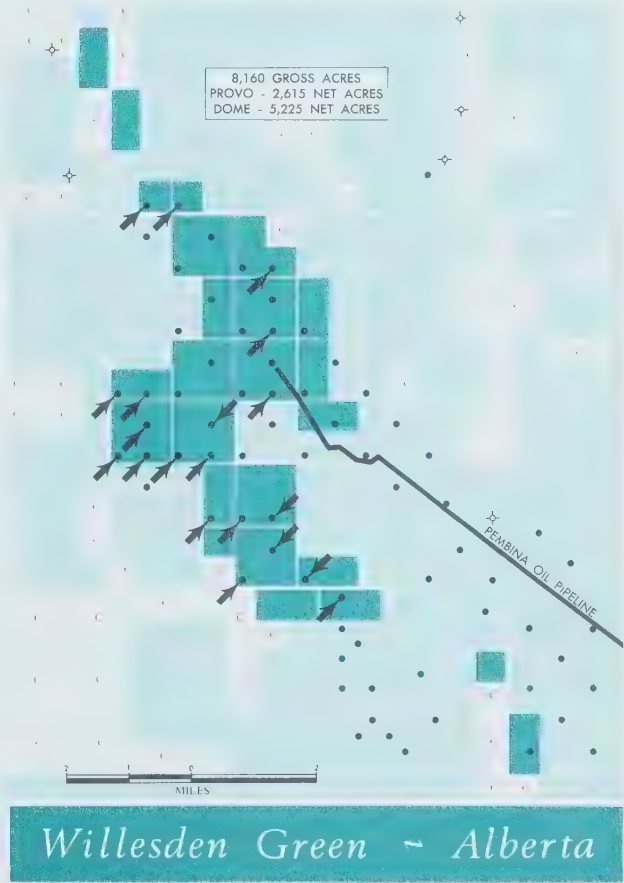
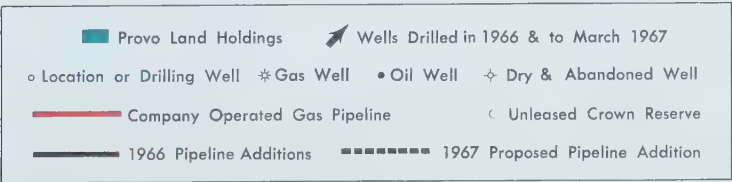


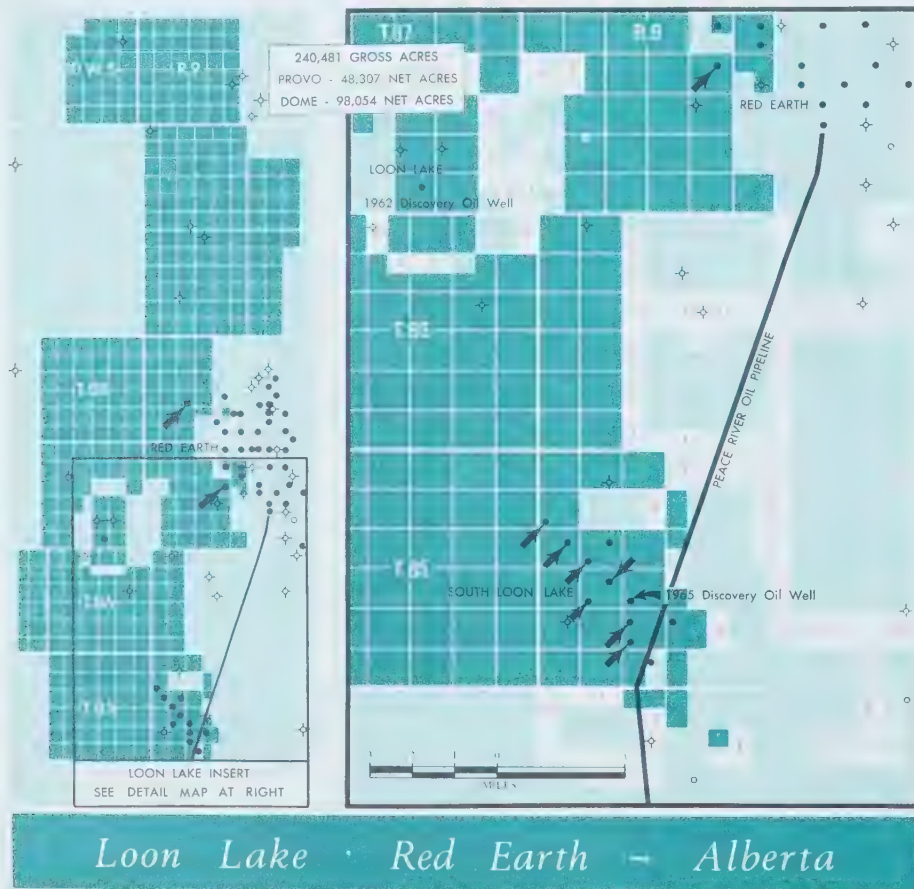
During 1966 Provo participated in the completion of 14 oil producers in the Willesden-Green field and 6 additional oil wells in the first quarter of 1967. Provo now holds interests in 34 producing oil wells in this field where a pilot pressure maintenance waterflood project is currently being installed.

Seven oil wells were completed in South Loon Lake during 1966 to follow up this 1965 oil discovery. Two of these are dual zone oil wells. In March, 1967, Provo participated in a Granite Wash oil discovery 3 miles northwest of the Red Earth oil field and a successful step-out well one and a half miles west of this field. The discovery, as shown on the map on page 10, was made on a 6-section farm-out of Provo-interest acreage in which Provo retains an 8⅓% interest. The step-out well was drilled on a one-section farm-out in which the Company retained a similar interest. In addition, Provo owns interests varying from 12½% to 33⅓% in 240,481 acres in the Loon Lake-Red Earth area.

The Company continued its step-out drilling program in the North Provost and Brownfield areas and was successful in completing 11 gas discovery wells in these areas in 1966. These new wells increased its holdings to 9 wholly-owned gas wells in the Brownfield area and 7 gas wells (6.48 net) in the North Provost area. Gas sales from both areas are expected to begin by the end of 1967.

Also in this general area, the Company completed 6 additional gas producers in the Provost Unit during the year, which increased the total unit wells to 72.





Provo also participated in drilling 12 oil wells and 9 gas wells, consisting of:

ALBERTA

- Four oil producers in the Swan Hills field.
- One oil producer in each of the Pembina and Red Earth areas.
- Two exploratory gas wells in the Bistcho Lake area.
- One gas producer in each of the Lone Pine Creek and Princess areas.

BRITISH COLUMBIA

- One exploratory oil well in the Bulrush area.
- One exploratory gas well in the West Peejay area.
- Two step-out gas wells in the Laprise area.
- One gas well in each of the Jedney and Stoddart areas.

SASKATCHEWAN

- One oil well in the Steelman area.

MONTANA

- Three oil producers in the Miner's Coulee area.

NORTH DAKOTA

- One oil producer in Divide County.



*Area of
Operations*

Land Holdings

The producing oil zone in the North Zama area is the Keg River reef of Middle Devonian age. The areal extent of this reef and the location of the Company's major land holdings along this trend are shown on the map on the inside back cover. These reef trend properties total

2,753,000 gross acres and include a recently acquired 800,000-acre permit spread in which Provo holds a 33⅓% interest in the Quill Lake area of east central Saskatchewan.

Modern seismic techniques have made it possible to map more accurately reef development and other potential hydrocarbon traps. These new techniques could revitalize the search for oil and gas throughout Western Canada.

The distribution of the Company's current acreage holdings by Provinces is shown in the accompanying schedule.

Land Holdings as at December 31, 1966

	<i>Gross Acres</i>	<i>Net Acres</i>
Alberta	1,415,524	549,974
British Columbia	491,285	96,021
Manitoba	23,441	9,739
Northwest Territories ..	3,753,063	899,878
Saskatchewan	172,541	55,839
Kansas	4,150	1,327
Montana	31,624	6,557
North Dakota	58,344	18,863
1966 Total	5,949,972	1,638,198
1965 Total	4,574,039	1,120,702



Report of the Directors

Processing

The Company operates 3 major gas processing plants in Western Canada. These are the Provost plant (77% interest) located in the Provost Gas Unit in east central Alberta, the Edmonton Liquid Gas plant (100% interest) located immediately south of Edmonton, Alberta, and the Steelman Gas plant (100% interest) in southeast Saskatchewan.

During 1966 the gathering system at Steelman was extended to tie in solution gas producers from the Willmar and Northgate oil fields. The Steelman plant is now processing gas from 13 oil fields in southeast Saskatchewan.

Extending the Steelman gathering system during the 1966 construction season.



Marketing

The Company has been active in the retail marketing of propane gas in northern Manitoba since 1961. At the present time it operates retail outlets in Flin Flon, Thompson, The Pas, Churchill, Snow Lake and Cranberry Portage.

Proposed Amalgamation






On March 30, 1967, an agreement was entered into between Provo Gas Producers Limited and Dome Petroleum Limited under the provisions of which, subject to shareholder approval, Provo will become a wholly-owned sub-

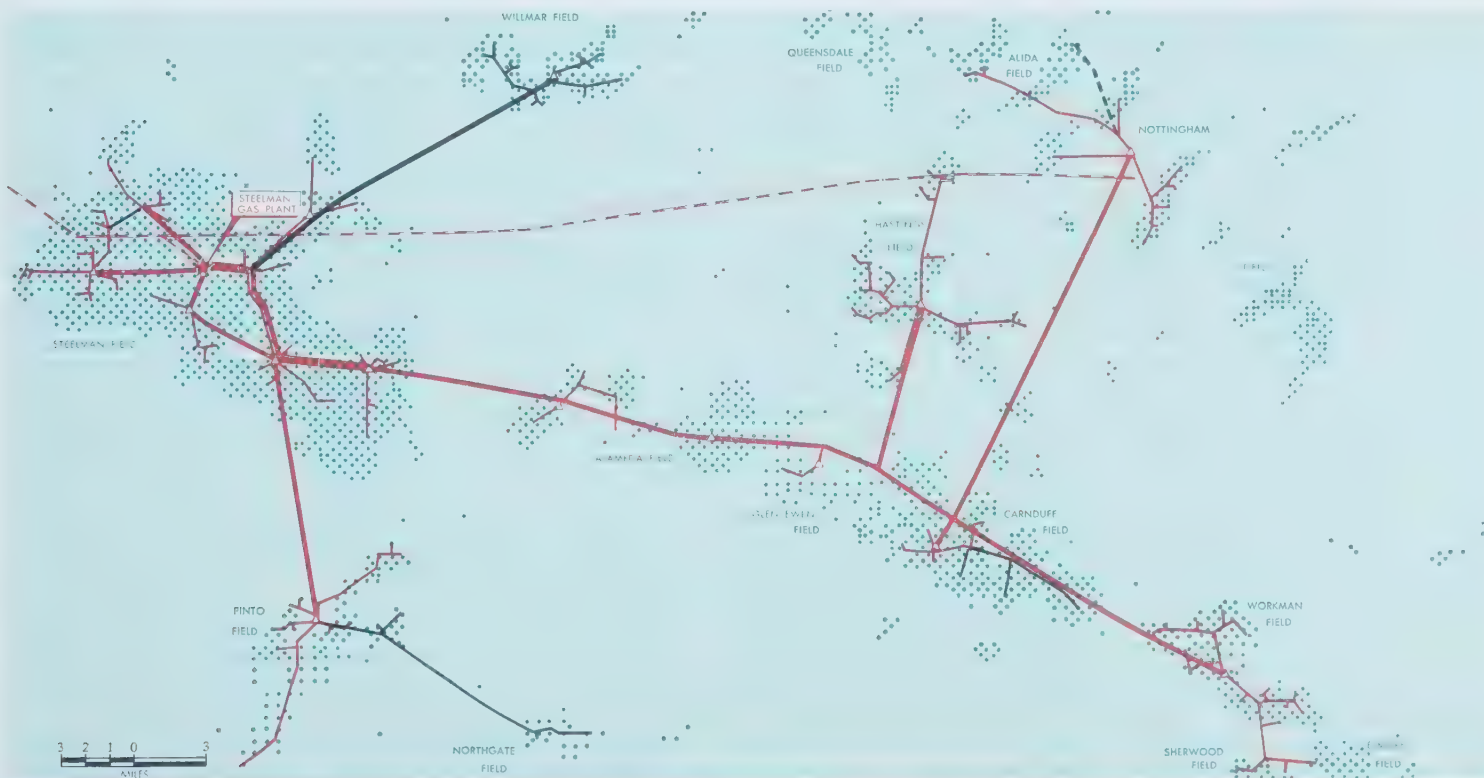
siary of and ultimately be amalgamated with Dome. Under this arrangement one share of Dome will be exchanged for every 8 outstanding Provo shares.

The arrangement is subject to the following conditions:

- (1) Approval of the shareholders of both companies and Court sanction;
- (2) Approval of a Proxy Statement;
- (3) Approval of the listing of the new shares by the American, Toronto and Montreal Exchanges on which Dome shares are currently traded;
- (4) Exemption of the new shares from the provisions of the United States Interest Equalization Tax Act;
- (5) A ruling from the United States Internal Revenue Service that any loss or gain on this transaction will not be taxable.

Your Directors recommend the acceptance of this arrangement which in their opinion is fair, having regard to the relative values of the

-  Company Operated Gas Pipeline
-  1966 Gas Pipeline Additions
-  1967 Pipeline Addition
-  Compressor Station
-  Oil Wells



Provo Gas Gathering System ~ S.E. Saskatchewan

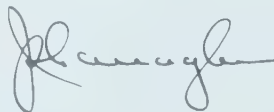
Report of the Directors

companies, and offers the following advantages:

- Dome shares are listed on the American Stock Exchange and are exempt from the United States Interest Equalization Tax Act. The proposed exchange would give Provo shareholders shares that can be freely traded in both Canada and the United States.
- The combined Company would have a better financial capability to exploit recent discoveries.

Your Directors have appreciated the continued support and interest of the Company's shareholders and the initiative and loyalty of its employees.

On behalf of the Board.



President

March 31, 1967.



Consolidated
Financial
Statements

Consolidated Statement of Income

FOR THE YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
INCOME:		
Natural gas sales less royalties	\$2,177,250	\$2,207,744
Crude oil sales less royalties	1,408,830	1,312,965
Propane and other product sales less cost of sales	4,496,270	3,471,287
Other income	338,362	204,955
	<u>8,420,712</u>	<u>7,196,951</u>
DEDUCT:		
Operating, general and administrative expenses	3,078,663	2,524,615
Interest	1,465,972	1,221,459
	<u>4,544,635</u>	<u>3,746,074</u>
Cash income from operations	<u>3,876,077</u>	<u>3,450,877</u>
DEDUCT:		
Depreciation and depletion	1,734,754	1,671,164
Amortization of financing expenses	59,507	55,844
	<u>1,794,261</u>	<u>1,727,008</u>
Net income for the year (Note 5)	<u>\$2,081,816</u>	<u>\$1,723,869</u>

See accompanying notes.

Provo Gas Producers Limited and its wholly owned subsidiaries

*Consolidated
Balance
Sheet*

*December 31, 1966
and 1965*

<i>Assets</i>	<i>1966</i>	<i>1965</i>
CURRENT:		
Cash	\$ 663,733	\$ 268,665
Accounts receivable	1,856,567	1,837,908
Inventories —		
Products and merchandise at the lower of cost		
or net realizable value	573,084	458,506
Materials and supplies at cost	204,283	264,078
Prepaid expenses	137,007	126,576
	<u>3,434,674</u>	<u>2,955,733</u>
AMORTIZATION FUND FOR RETIREMENT OF FIRST MORTGAGE BONDS:		
Cash and marketable securities at cost (which approximates market value) plus accrued interest	289,392	2,977,894
6% Dome Petroleum Limited Series A Debenture at cost plus accrued interest	2,918,474	—
Amortization fund instalment due February 15, per contra	390,000	460,000
	<u>3,597,866</u>	<u>3,437,894</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 2)	<u>38,552,254</u>	<u>33,704,705</u>
OTHER:		
Financing, market development and preproduction expenses less amounts written off	636,390	643,024
Investments and deposits	300,318	282,660
	<u>936,708</u>	<u>925,684</u>
	<u>\$46,521,502</u>	<u>\$41,024,016</u>
See accompanying notes.		

Liabilities

CURRENT:

Bank loan	\$ 500,000	\$ 500,000
Accounts payable and accrued charges	990,034	1,293,155
Due to affiliated companies	459,585	329,333
Accrued interest on long term debt	236,180	247,314
Amortization fund instalment due February 15, per contra	390,000	460,000
Current instalments on long term debt	1,496,693	497,297

1966

1965

4,072,492

3,327,099

LONG TERM DEBT (Note 3)	23,086,930	22,823,813
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SHAREHOLDERS' EQUITY (Note 4):

Capital —		
Authorized — 10,000,000 shares of no par value		
Issued — 9,313,016 shares (1965 - 8,471,916 shares)	14,657,723	12,250,563
Earned surplus per statement	4,704,357	2,622,541
	19,362,080	14,873,104

On behalf of the Board:

J. P. GALLAGHER, *Director.*

D. M. WOLCOTT, *Director.*

\$46,521,502

\$41,024,016

Auditors' Report

To the Shareholders of Provo Gas Producers Limited.

We have examined the consolidated balance sheet of Provo Gas Producers Limited and its wholly owned subsidiaries at December 31, 1966 and the consolidated statements of income, earned surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances and we have obtained all the information and explanations we have required, except that, for reasons of corporate policy explained in Note 1 to the financial statements, data regarding the Company's North Zama oil and gas reserves were not made available to us.

In our opinion, subject to such adjustment of the provisions for depletion and depreciation and of net income as would result from the inclusion of the North Zama reserves mentioned above in the computations for 1966, the aforementioned financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Provo Gas Producers Limited and its wholly owned subsidiaries at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

Calgary, Alberta.
February 28, 1967.

Provo Gas Producers Limited

Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 31, 1966

SOURCE OF FUNDS:

Cash income from operations	\$3,876,077
Proceeds from sale of capital stock	2,407,160
Proceeds from secured bank loan	2,152,250
	<u>8,435,487</u>

APPLICATION OF FUNDS:

Expenditures for property, plant and equipment	6,147,507
Reduction of bonds, debentures and bank loans	2,323,929
Increase in amortization fund for retirement of First Mortgage Bonds of Steelman Gas Limited	159,972
Increase in investments, deposits, market development costs, etc.	70,531
	<u>8,701,939</u>

DECREASE IN WORKING CAPITAL \$ 266,452

Consolidated Statement of Earned Surplus

FOR THE YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
Balance at beginning of year	\$2,622,541	\$ 898,672
Net income for the year	<u>2,081,816</u>	<u>1,723,869</u>
Balance at end of year	<u><u>\$4,704,357</u></u>	<u><u>\$2,622,541</u></u>

See accompanying notes.

Notes to Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1966

1. ACCOUNTING PRACTICE

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided on the unit of production basis.

During the year significant oil and gas discoveries were made in the North Zama region of Alberta. In order to protect its position in future competitive bidding on adjoining Crown acreage, the Company has elected not to disclose reserves of oil and gas for this area or take them into account in computing the 1966 provisions for depletion and depreciation. Accordingly, depletion and depreciation for 1966 have been computed using the same rates per barrel as were used in 1965. The inclusion of the North Zama reserves would have resulted in a reduction in the 1966 provisions for depletion and depreciation.

2. PROPERTY, PLANT AND EQUIPMENT

	Gross investment at cost	Accumulated depreciation and depletion	Net investment 1966	Net investment 1965
Oil and gas properties	\$20,186,991	\$ 3,031,899	\$17,155,092	\$13,905,475
Gas plants and gathering systems	23,149,188	7,175,746	15,973,442	15,088,215
Propane marketing equipment	3,569,210	270,290	3,298,920	3,046,032
Production and other equipment	2,652,121	527,321	2,124,800	1,664,983
	<u>\$49,557,510</u>	<u>\$11,005,256</u>	<u>\$38,552,254</u>	<u>\$33,704,705</u>

3. LONG TERM DEBT

Details of the companies' long term debt are as follows:

	1966	1965
PROVO GAS PRODUCERS LIMITED		
Bank loan (secured) - due \$400,000 annually	\$ 1,233,341	\$ 1,633,337
Bank loan (secured) (U.S. \$1,666,670) - due U.S. \$400,000 annually	1,793,510	
5½% First Mortgage Serial Bonds, due November 15, 1984 (redeemable in varying annual amounts commencing in 1967)—		
Series A (U.S. \$9,000,000)	9,721,313	9,721,313
Series B (U.S. \$3,100,000)	3,333,109	3,333,109
STEELMAN GAS LIMITED		
6% First Mortgage Bonds due February 15, 1970 subject to amortization fund—		
Series A (U.S. \$4,000,000)	4,324,000	4,324,000
Series B	990,000	1,455,000
6% Debentures Series A due May 15, 1973 subject to sinking fund (no payment required in 1967)	2,000,000	2,000,000
Future rentals payable re leased equipment (\$136,391 payable in 1967)	434,796	—

WESTERN NACO PETROLEUMS LIMITED

5½% Secured Convertible Debentures due July 1, 1970 subject to sinking fund (no payment required in 1967)	299,500	303,000
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PROVO INC.

Bank loan (U.S. \$420,000) payable U.S. \$22,500 quarterly to December 31, 1968 and U.S. \$30,000 quarterly thereafter (secured by producing prop- erties)	454,054	551,351
	<u>24,583,623</u>	<u>23,321,110</u>
Less instalments due within one year included in current liabilities	1,496,693	497,297
	<u>\$23,086,930</u>	<u>\$22,823,813</u>

4. CAPITAL

During the year 841,100 shares were issued at a recorded value of \$2,407,160 as follows:

600,000 shares at \$3.15 per share pursuant to a rights offer to shareholders	\$1,890,000
219,000 shares at \$2.20 per share on exercise of options by Dome Petroleum Limited	481,800
22,100 shares at \$1.60 per share on exercise of options by officers and employees	35,360
	<u>\$2,407,160</u>

661,600 shares of the Company's capital stock were reserved at December 31, 1966 as follows:

300,000 shares for options granted to Dome Petroleum Limited at \$2.20 per share exercisable until Feb- ruary 1, 1968 providing the management contract remains in force.	
121,600 shares for the granting of options to officers and employees at \$1.60 per share exercisable on various dates to May 2, 1972.	
60,000 shares for the granting of options to officers and employees at \$3.10 per share exercisable on various dates to August 4, 1971.	
180,000 shares for the Stock Purchase Warrant Holders of Steelman Gas Limited at \$3.50 (U.S.) per share until September 30, 1967 and thereafter at \$3.75 (U.S.) per share until September 30, 1970.	

5. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended December 31, 1966 and at that date an excess of such expenditures amounting to approximately \$5,950,000 and capital cost allowances of approximately \$16,150,000 were available to be applied against future taxable income.

Ten Year Financial Review

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Gross Income (after royalties and cost of sales)	\$8,420,712	\$7,196,951	\$6,560,524	\$2,821,432	\$2,558,625	\$2,259,208	\$1,648,420	\$1,292,086	\$ 838,694	\$ 188,118
Operating & Administrative Expenses	3,078,663	2,524,615	2,360,222	721,194	617,909	585,594	519,718	456,732	382,416	167,035
Interest	1,465,972	1,221,459	1,105,115	232,284	246,793	259,689	264,110	170,753	108,279	11,640
Cash Flow	3,876,077	3,450,877	3,095,187	1,867,954	1,693,923	1,413,925	864,592	664,601	347,999	9,443
Cash Flow per Share *	44¢	41¢	37¢	24¢	22¢	18¢	11¢	9¢	5¢	—
Depreciation, Depletion and Amortization	1,794,261	1,727,008	1,635,370	632,270	611,347	564,958	328,368	265,111	164,132	56,529
Net Income (after all charges)	2,081,816	1,723,869	916,262	753,463	495,259	591,513	281,893	151,241	(34,386)	(313,212)
Net Income per Share *	24¢	20¢	11¢	10¢	6¢	8¢	4¢	2¢	—	(5¢)
Shares Outstanding	9,313,016	8,471,916	8,441,359	7,815,566	7,815,566	7,815,566	7,634,235	7,603,235	6,488,238	6,488,238
Working Capital (Deficit)	(637,818)	(371,366)	(313,644)	(365,595)	(75,163)	1,323,690	1,451,960	1,693,674	(2,320,191)	(965,297)
Long Term Debt	23,086,930	22,823,813	18,858,164	4,918,500	3,626,500	3,941,500	3,900,000	4,200,000	—	—
Land Rentals	287,028	207,793	205,341	200,544	188,335	148,309	113,397	118,439	64,155	114,479
Exploration Costs	1,010,564	522,394	338,214	281,677	398,982	109,145	140,934	129,810	154,098	151,647
Oil and Gas Development Expenditures	1,975,120	1,479,886	837,751	1,068,790	778,168	495,363	509,609	385,669	157,393	692,449
Gas Plant and Gathering System Expenditures	1,452,711	3,711,109	1,129,794	416,850	564,442	232,503	22,231	495,036	405,982	1,516,666
Marketing Facility Expenditures	343,726	427,208	645,315	—	—	—	—	—	—	—
Land Acquisition Expenditures	1,078,358	459,225	1,701,184	391,594	541,264	138,735	56,935	6,167	47,951	176,617

1966 and 1965 figures are presented on a full-cost accounting basis.

*1966 net income and cash flow per share are based on the average shares outstanding during the year.



Ten Year Operating Review




	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Gas Production (million cubic feet)	26,184	26,043	26,420	17,754	16,870	16,330	12,410	11,600	8,400	1,380
Average Daily Gas Production (million cubic feet)	71.7	71.3	72.2	48.6	46.2	44.7	33.9	31.8	23.0	3.8
Oil Production (net barrels)	588,364	534,493	474,078	425,080	362,184	294,813	162,496	92,714	38,618	21,705
Average Daily Oil Production (net barrels)	1,612	1,464	1,295	1,165	992	808	444	254	106	59
Liquefied Petroleum Gas Pro- duction (barrels)	1,619,759	1,465,099	1,369,036	—	—	—	—	—	—	—
Average Daily L.P.G. Pro- duction (barrels) ..	4,438	4,013	3,740	—	—	—	—	—	—	—
Estimated Proved Natural Gas Reserves (billion cubic feet)	627 *	543	526	547	564	575	586	596	567	575
Est. Proved Oil & Condensate Reserves (net barrels)	11,928,000 *	9,454,000	8,332,000	6,985,000	5,854,000	4,600,000	3,355,000	2,700,000	1,206,000	1,000,000
Wells Drilled - Gross	100	76	51	43	34	20	36	11	8	20
Working Interest - Gross	89	67	47	40	30	11	29	8	8	20
Working Interest - Net	33.5	22.0	10.6	11.2	10.3	3.6	7.0	5.1	4.9	10.4
Royalty Interest	11	9	4	3	4	9	7	3	—	—
Exploratory - Gross ..	48	35	18	8	14	5	10	8	4	9
Step Out and Development - Gross	52	41	33	35	20	15	26	3	4	11
Net Gas Wells ..	88	72	58	57	54	49	44	42	38	33
Net Oil Wells	83	76	67	59	51	46	27	21	9	5
Acreage - Gross ..	5,949,972	4,574,039	5,110,105	5,127,520	4,991,393	3,043,980	1,228,284	1,209,675	984,867	773,396
Acreage - Net	1,638,198	1,120,702	1,225,447	1,232,287	1,159,497	988,273	464,775	439,665	492,294	468,892


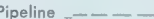

* Excludes all Zama reserves.

Provo Holdings in Western Canada

Map Legend

Provo P. & N.G. Permit
and Lease Interest — 
Gas Processing Plant — ★
Retail Propane
Distribution — 
Products Pipeline — - - - -

Oil Field — 
Oil Pipeline — 
1966 and 1967
Oil Pipeline — - - - -
Gas Field — 

Gas Pipeline — 
Gas Pipeline
(Proposed) — - - - -
Products Pipeline — 
Reef Trend — 

Major Producing Properties

OIL
Map
Reference
No.

ALBERTA
1. Crossfield
2. Drumheller
3. Pembina
4. Swan Hills
5. Willesden Green

BRITISH COLUMBIA
6. Peejay

MANITOBA
7. North Virden

SASKATCHEWAN
8. Midale
9. Pinto

MONTANA
10. Fred & George
Creek

GAS

ALBERTA
11. Provost

Distribution of Production

	1966		First Quarter, 1967	
	Oil Bbls/day	Gas Mmcf/day	Oil Bbls/day	Gas Mmcf/day
Alberta	788	50.6	1,050	55.5
British Columbia	118	1.0	170	4.5
Manitoba	123	—	120	—
Saskatchewan	364	20.1	340	22.9
United States	219	—	190	—
Total	<u>1,612</u>	<u>71.7</u>	<u>1,870</u>	<u>82.9</u>

Detail Maps

North Zama Area

SEE DETAIL MAP PAGE 6

Loon Lake Area

SEE DETAIL MAP PAGE 10

Willesden Green Area

SEE DETAIL MAP PAGE 9

Provost - Brownfield Area

SEE DETAIL MAP PAGE 8

S. E. Saskatchewan

SEE DETAIL MAP PAGE 13





1967

Statement of Information

by

PROVO GAS PRODUCERS LIMITED

and

Agreement

Between Provo Gas Producers Limited and Dome Petroleum Limited in respect of an Arrangement between Provo Gas Producers Limited and its Shareholders and the amalgamation of Provo Gas Producers Limited and Dome Petroleum Limited.

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2	1	Resolution to Approve Arrangement			(A) Land
3	1	Purpose of the Arrangement			(B) Drilling Activities
4	2	Description of the Arrangement			(C) Production
5	2	Provisions for Options and Warrants	16	13	(D) Gas Processing Plants
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13	6	Relationship between Provo Gas Producers Limited and Dome Petroleum Limited	23	21	Consolidated Statement of Income of Dome Petroleum Limited for the five years ended December 31, 1966
14	6	Description of Business of Provo Gas Producers Limited			
		(A) Land	24	22	Notes to Consolidated Statements of Income
		(B) Drilling Activities			
		(C) Production	25	23	Pro Forma Combined Statement of Income of Provo Gas Producers Limited and Dome Petroleum Limited for the five years ended December 31, 1966
		(D) Gas Processing Plants			
		(E) Liquefied Petroleum Gas Marketing and Storage Facilities			

AGREEMENT

(with attached Arrangement)

Statement of Information by

PROVO GAS PRODUCERS LIMITED

and Agreement

Between Provo Gas Producers Limited and Dome Petroleum Limited in respect of an Arrangement between Provo Gas Producers Limited and its Shareholders and the amalgamation of Provo Gas Producers Limited and Dome Petroleum Limited.

This statement is furnished in connection with a Special General Meeting of Shareholders of Provo Gas Producers Limited to be held immediately following the Annual General Meeting on May 17th, 1967 for the purpose of ratifying the annexed Agreement (hereinafter sometimes called "the Agreement") dated the 30th day of March, 1967 entered into with Dome Petroleum Limited (hereinafter called "Dome") by the Directors of Provo and agreeing to the arrangement (hereinafter sometimes called "the Arrangement") therein provided for.

1

VOTING

As of April 15th, 1967, the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting, there were outstanding 9,324,616 common shares without par value entitled to be voted at the Meeting on all matters to come before the Meeting. Shareholders who execute proxies may revoke them at any time before they are exercised.

A quorum at the Special General Meeting of Shareholders of Provo consists of not less than two shareholders present in person holding or representing by proxy not less than one-tenth of the issued and outstanding shares of Provo. The adoption of the resolution requires the affirmative vote of a majority in number of those present in person or by proxy and voting at the meeting and the affirmative vote of three-fourths of the shares voted either in person or by proxy at the meeting.

2

RESOLUTION TO APPROVE ARRANGEMENT

"RESOLVED, that

1. The Agreement dated as of March 30th, 1967, entered into between Provo Gas Producers Limited and Dome Petroleum Limited, authorized by the Directors of both companies, and relating to an Arrangement between Provo Gas Producers Limited and its members, and for the eventual effective amalgamation of the two companies, is hereby ratified and confirmed.

2. The Arrangement referred to in the aforesaid Agreement and annexed thereto as Schedule "A" is hereby agreed to.

3. The Directors and Officers of Provo Gas Producers Limited be and are hereby authorized to do, sign and execute all things, deeds and documents necessary or desirable for the due carrying out of the foregoing."

3

PURPOSE OF THE ARRANGEMENT

On March 30th, 1967, Provo and Dome entered into an Agreement whereby Provo agreed to enter into an Arrangement with its shareholders under the provisions of which all of the outstanding shares

of Provo, other than those held by Dome, would be exchanged for common shares of Dome having a par value of \$2.50 each in the ratio of one share of Dome for each eight shares of Provo. Following completion of this share exchange, Provo would become the wholly-owned subsidiary of Dome and ultimately would be amalgamated with Dome at such time as such considerations as income tax and contractual obligations under existing deeds of trust and mortgages make such action convenient and desirable. The full terms of the Arrangement are set forth in Schedule "A" to the Agreement.

4

DESCRIPTION OF THE ARRANGEMENT

In the event that the Agreement is ratified by the shareholders and the Arrangement is agreed to by the required affirmative vote, it is contemplated that application will be made by Provo to a Judge of the Supreme Court of Alberta under the provisions of Sections 139 and 140 of The Companies Act of Alberta for an order sanctioning the Arrangement subject to such disposition with respect to dissenting shareholders as the Court may direct.

Under the terms of the Arrangement, it is contemplated that it will be effective as of March 30th, 1967. Following sanction by the Court of the Arrangement, Dome has undertaken to issue to National Trust Company, Limited, as trustee for the former Provo shareholders, sufficient shares to enable Provo to carry out the terms of the Arrangement, provided the following conditions have been met and satisfied:

1. Approval by the Shareholders of Dome of the issue of the shares required to meet and satisfy the requirements of the Arrangement.

2. A ruling pursuant to Section 367 of the Internal Revenue Code of the United States of America to the effect that the distribution resulting from the completion of this Arrangement is not pursuant to a plan having as one of its principal purposes the avoidance of Federal income taxes; and that the distribution of common shares of Dome will not result in the recognition of gain or loss to the recipients pursuant to Section 354(a) (1) of the Internal Revenue Code; provided that by resolution of the Directors of Provo, satisfaction of this condition may be waived.

3. A ruling that the shares distributed as a result of this Arrangement are not subject to the Interest Equalization Tax imposed under the Interest Equalization Tax Act of the United States of America.

4. Approval by the Montreal and Toronto Stock Exchanges of the issue of the shares of Dome required for completion of this Arrangement.

5. Approval by the American Stock Exchange of the listing of the Dome shares required for this Arrangement on that Exchange.

6. Certain other conditions more particularly set out in the Agreement.

Dome has agreed to proceed with securing the approval of its Shareholders and satisfaction of each of the above conditions as soon as reasonably practical and, in any event, the Arrangement will be null and void if such conditions have not been met on or before September 1st, 1967.

5

PROVISIONS FOR OPTIONS AND WARRANTS

Dome has undertaken, in addition to the obligations assumed under the provisions of the Agreement, to make available a sufficient number of shares of its capital stock to satisfy the requirements of any options and warrants of Provo presently outstanding if and when the holders of such options and warrants exercise their right to purchase shares under the provisions thereof. This would require the issue of a maximum of 43,750 Dome shares based on warrants and options outstanding as at April 15th, 1967.

6

REGISTRATION UNDER UNITED STATES SECURITIES LAWS

None of the shares to be issued to the Shareholders of Provo upon completion of the Arrangement have been or will be registered under the Securities Act of 1933 of the United States of America. Provo has been advised by Messrs. Dunnington, Bartholow & Miller, New York, New York, its special United States counsel, that in their opinion the exchange of shares of Dome for those of Provo pursuant to the Arrangement comes within the scope of the exemption set forth in Rule 133 under the Securities Act of 1933, so that the distribution of such shares to the existing security holders of Provo does not require such registration.

7

PRICES OF SHARES OF THE STOCK OF THE COMPANIES INVOLVED

The following tabulation shows the high and low sales price, per share, of the stock of the Companies as indicated on the Toronto Stock Exchange:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
	\$	\$	\$	\$
PROVO GAS PRODUCERS LIMITED				
1965 — High	2.63	3.10	2.48	2.59
Low	2.20	2.10	2.15	2.17
1966 — High	3.05	2.64	4.60	5.60
Low	2.31	2.21	2.48	4.20
1967 — High	6.55	—	—	—
Low	4.55	—	—	—
DOME PETROLEUM LIMITED				
1965 — High	19½	20¼	17½	18¼
Low	17¾	15½	15⅝	15¼
1966 — High	19¼	17	25¼	39¾
Low	15¼	13⅞	14½	23¼
1967 — High	60¼	—	—	—
Low	35½	—	—	—

8

ACCOUNTING TREATMENT OF THE TRANSACTION

The acquisition of the shares of Provo will be treated as a pooling of interests for accounting purposes. Under the pooling of interests accounting treatment, the total investment in shares of Provo after the Arrangement will be recorded in the accounts of Dome at an amount equal to the stated value of Provo's capital. In the consolidated financial statements of Dome, the assets, liabilities and earned surplus of Provo will be carried forward at the amounts at which they are carried in the accounts of that company.

9

REFERENCE TO FINANCIAL INFORMATION

The effect of the proposed transaction as of March 31, 1967, upon the debt and capitalization of Provo and Dome is set out on Page 14. The audited consolidated financial statements of Provo and Dome and the pro forma combined financial statements together with notes thereto and report of the Companies' auditors appear on Pages 15 to 23.

10

RESULTS OF OPERATIONS

There follows a summary of the operating results of Provo and Dome during the five year period 1962 to 1966 inclusive, following which the pro forma combined results are also summarized. The information used is derived from the financial statements certified to by Clarkson, Gordon & Co., the Companies' auditors. The complete financial statements and notes thereto are set forth on Pages 15 to 23.

Provo

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Gross income	\$ 4,972,188	\$ 5,886,853	\$ 6,560,524	\$ 7,196,951	\$ 8,420,712
Operating income	2,462,672	2,914,342	3,095,187	3,450,877	3,876,077
Net income	240,944	847,900	916,262	1,723,869	2,081,816

Dome

Gross income	5,028,852	6,028,042	6,811,464	7,147,509	7,791,172
Operating income	3,879,753	4,779,014	5,576,370	5,532,246	5,842,263
Net income	2,039,529	2,737,697	3,168,811	4,049,655	4,342,009

Dome Consolidated with Dome's Share of Provo

Gross income	6,517,078	7,872,099	9,224,687	9,785,192	11,016,978
Operating income	4,616,855	5,691,932	6,714,904	6,796,992	7,327,111
Net income	2,111,646	3,003,302	3,505,849	4,681,453	5,139,511

Pro Forma Dome/Provo Combined

Gross income	10,001,040	11,914,895	13,371,988	14,344,460	16,211,884
Operating income	6,342,425	7,693,356	8,671,557	8,983,123	9,718,340
Net income	2,280,473	3,585,597	4,085,073	5,773,524	6,423,825

11

COMPARATIVE PER SHARE EARNINGS

The following table shows the comparative net earnings per share for Provo and Dome (based on the number of shares outstanding at year-end) for the periods indicated. The earnings per share for Dome are also shown with effect given to consolidating its percentage interest from time to time in Provo. A comparison is also given of the net earnings per share on a pro forma combined Dome/Provo basis with eight times Provo's net earnings per share.

<u>Year Ended December 31 for Provo and Dome</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Net earnings per share of Provo	\$.03	\$.11	\$.11	\$.20	\$.22
Net earnings per share of Dome	\$.79	\$ 1.06	\$ 1.22	\$ 1.55	\$ 1.66
Dome share interest in Provo as a % of the total outstanding shares	29.931	31.325	36.784	36.650	38.308
Consolidated net earnings of Dome plus Dome's share of Provo net earnings	\$.82	\$ 1.16	\$ 1.35	\$ 1.79	\$ 1.96
Eight (8) times Provo net earnings per share	\$.24	\$.88	\$.88	\$ 1.60	\$ 1.76
Net earnings per share on a pro-forma combined Dome/Provo basis giving effect to proposed Arrangement	\$.69	\$ 1.08	\$ 1.23	\$ 1.68	\$ 1.92

RESERVES OF PROVO AND DOME

The following is a summary of the reserves of Provo and Dome in crude oil, condensate, natural gas and sulphur as of December 31st, 1966 based upon reports prepared by James A. Lewis Engineering Co. Ltd., but excluding the reserves developed as a result of certain recent discoveries as more fully explained in the accompanying notes:

<i>Proved Reserves of Crude Oil and Condensate</i>	<i>Provo</i>	<i>Dome</i>
	(barrels)	(barrels)
Alberta	4,392,000	10,329,000
Saskatchewan	1,294,000	10,069,000
Manitoba	565,000	1,328,000
British Columbia	712,000	16,116,000
United States	107,000	215,000
<i>Additional Crude Oil Reserves by Pressure Maintenance</i>		
Alberta	3,624,000	6,913,000
Saskatchewan	436,000	1,461,000
British Columbia	344,000	—
United States	454,000	908,000
Total Oil and Condensate Reserves	11,928,000	47,339,000
<i>Proved Reserves of Natural Gas</i>		
	Millions of cu. ft.	Millions of cu. ft.
Alberta	556,033	98,143
Saskatchewan	—	1,420
British Columbia	66,249	187,953
Miscellaneous	4,693	4,091
Total Gas Reserves	626,975	291,607
<i>Proved Reserves of Sulphur</i>		
	(Long Tons)	(Long Tons)
Alberta	10,100	195,000
Total Sulphur Reserves	10,100	195,000

NOTES:—

The estimates of reserves for both Provo and Dome were prepared by the independent consulting firm of James A. Lewis Engineering Co. Ltd., petroleum reservoir analysts. The category of reserves described as additional pressure maintenance reserves refers to those reserves which are estimated will be recovered under pressure maintenance schemes. Of the total reserves of 14,140,000 barrels in this category, 1,374,000 barrels owned by Provo and 1,933,000 barrels owned by Dome are estimated to be recoverable from fields in which pressure maintenance schemes are presently under way although they have not been in operation for a period sufficient to exhibit positive response. The remaining additional reserves consisting of 3,484,000 barrels owned by Provo and 7,349,000 barrels owned by Dome are estimated to be recoverable from properties where full scale pressure maintenance programs are planned but not yet in full operation. These properties are located primarily in the Swan Hills and Willesden Green fields where properties with similar reservoir characteristics have been successfully subjected to pressure maintenance schemes now in effect and fully operational.

Not included in the foregoing are the oil and gas reserves of Provo and Dome developed in the North Zama area of northwestern Alberta. To date Provo, in conjunction with Dome, has participated in the

drilling of 20 wells which resulted in 14 wells capable of producing oil and gas, 1 oil well, 2 gas wells and 3 dry holes in this area and as result of this drilling has developed substantial oil and gas reserves. Under the regulations made pursuant to the Alberta Oil and Gas Conservation Act, Provo and Dome are entitled to hold confidential, data pertaining to these wells at this time and for some period hereafter. Because there is substantial unleased Crown land adjacent to Provo and Dome's holdings in this area, it is obviously in the best interests of Provo and Dome to hold information pertaining to the results of this drilling confidential until either this information is required to be released by law or there are no more additional Crown petroleum and natural gas rights available in the immediate vicinity. Provo and Dome participate in these properties in the respective shares of one-third and two-thirds. Because of the number of shares outstanding for both Companies, the ratio of exchange under the Arrangement corresponds closely to the relative per share participation in these properties. Consequently, the size of these reserves is largely immaterial to this transaction. Based upon the outstanding shares of Provo and Dome, Dome holds 8.46 times as much acreage per share in this area as Provo if there were included in Dome's share its indirect holdings through its share ownership in Provo.

13

RELATIONSHIP BETWEEN PROVO GAS PRODUCERS LIMITED AND DOME PETROLEUM LIMITED

Dome holds approximately 38% of the outstanding common shares of Provo and operates Provo under the terms of a Management Contract. Of the nine Provo directors, five are employees of Dome and four are independent of Dome. The Provo directors have unanimously approved the Agreement and the proposed Arrangement.

14

DESCRIPTION OF BUSINESS OF PROVO GAS PRODUCERS LIMITED

Provo is engaged directly, or indirectly through subsidiaries, in the business of exploring for, acquiring and developing oil and gas reserves, and the production and sale of natural gas, condensate, crude oil, sulphur and natural gas liquids in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, in the Yukon and Northwest Territories and in the States of Montana, North Dakota and Kansas. It owns and operates a liquefied petroleum gas extraction plant at Edmonton, Alberta, and a gas processing plant at Steelman in the Province of Saskatchewan. It also owns and operates retail liquefied petroleum gas marketing facilities in northern Manitoba and underground storage facilities at Melville in the Province of Saskatchewan as well as a liquefied petroleum gas pipeline in Saskatchewan.

14(A)

Land

The following tabulation shows the interest of Provo in non-producing oil and gas rights as of March 31st, 1967:

<u>Area</u>	<u>Gross Acres</u>	<u>Net Acres</u>
Alberta	1,133,789	338,395
Saskatchewan	986,104	328,117
Manitoba	21,483	9,265
British Columbia	466,888	90,047
Yukon and Northwest Territories	3,753,063	899,878
Montana	75,155	14,418
North Dakota	58,264	18,842
Kansas	4,150	1,327
Total	6,498,896	1,700,289

The following table shows the interest of Provo in producing oil and gas rights as at March 31st, 1967:

<i>Area</i>	<i>Wells</i>				<i>Acreage</i>	
	<i>Gross</i>		<i>Net</i>		<i>Gross</i>	<i>Net</i>
	<i>Oil</i>	<i>Gas</i>	<i>Oil</i>	<i>Gas</i>		
Alberta	326	142	51.63	82.90	305,441	219,393
Saskatchewan	625	—	21.33	—	10,400	2,669
Manitoba	219	—	9.70	—	2,078	542
British Columbia	11	29	1.75	6.64	23,702	5,532
United States	22	—	2.19	—	840	87
Total	1,203	171	86.60	89.54	342,461	228,223

Of the foregoing properties, Provo and Dome hold joint interest in the following:

	<i>Gross</i>	<i>Net</i>
Oils Wells	829	180
Gas Wells	113	73
Royalty Wells	13	1.2
Producing Acreage	292,938	218,547
Non-Producing Acreage	5,937,178	2,877,888

14 (B)

Drilling Activities

Provo, since commencing drilling activities in 1956, has participated in the drilling of 402 wells. The following tabulation summarizes the drilling activity of Provo over the past eleven years:

	<i>Oil</i>		<i>Gas</i>		<i>Abandoned</i>	
	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
DEVELOPMENT WELLS						
<i>Working Interest</i>						
1956	—	—	—	—	—	—
1957	8	4.00	2	2.00	1	.50
1958	—	—	4	3.15	—	—
1959	—	—	3	2.36	—	—
1960	19	3.28	—	—	1	1.00
1961	3	1.66	4	1.04	1	.50
1962	6	2.10	6	1.84	5	.51
1963	29	7.88	2	1.54	2	.58
1964	20	5.78	8	4.50	3	1.00
1965	27	5.88	7	3.87	1	.16
1966	28	6.24	10	5.42	8	1.22
<i>Royalty Interest</i>						
1956	—	—	—	—	—	—
1957	—	—	—	—	—	—
1958	—	—	—	—	—	—
1959	—	—	—	—	—	—
1960	—	—	5	1.25	1	.25
1961	—	—	5	1.25	2	.50
1962	—	—	3	.75	—	—
1963	1	.10	—	—	1	.25
1964	1	.10	1	.25	—	—

	<i>Oil</i>		<i>Gas</i>		<i>Abandoned</i>	
	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
1965	6	.23	—	—	—	—
1966	1	.03	2	.50	3	.52
Total Development Wells	149	37.28	62	29.72	29	6.99

EXPLORATORY WELLS

Working Interest

1956	1	.50	—	—	2	1.50
1957	1	.50	—	—	8	3.37
1958	1	.50	—	—	3	1.25
1959	1	.16	2	1.78	2	.76
1960	1	.08	3	.73	5	2.00
1961	1	.16	1	.13	1	.12
1962	4	.91	4	2.41	5	2.34
1963	—	—	2	.33	5	.86
1964	—	—	2	.22	14	3.54
1965	7	1.45	4	4.00	21	6.64
1966	4	.66	15	11.08	24	8.87

Royalty Interest

1956	—	—	—	—	—	—
1957	—	—	—	—	—	—
1958	—	—	—	—	—	—
1959	—	—	2	.50	1	.25
1960	—	—	1	.25	—	—
1961	1	.05	1	.25	—	—
1962	—	—	—	—	1	.25
1963	—	—	1	.25	—	—
1964	—	—	—	—	2	.15
1965	2	.05	—	—	1	.05
1966	1	.03	—	—	4	.14

Total Exploratory Wells	25	5.05	38	21.93	99	32.09
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14(C)

Production

The following table sets forth the crude oil, condensate, natural and residue gas, liquefied petroleum gas and sulphur production of Provo for each of the five years ending December 31st:

Crude Oil and Condensate — Barrels

	1962	1963	1964	1965	1966
Alberta	250,726	252,302	221,601	246,618	281,571
Saskatchewan	74,398	137,207	202,533	164,141	132,719
Manitoba	30,493	28,556	32,974	43,514	44,604
British Columbia	1,900	2,483	1,737	4,004	43,803
United States	—	—	11,715	71,106	79,917
Royalty Income	4,667	4,532	3,518	5,110	5,750
Total	362,184	425,080	474,078	534,493	588,364

Natural and Residue Gas Sales — Thousands of Cubic Feet

Alberta	16,168,000	17,105,000	18,356,000	19,208,000	18,457,000
Saskatchewan	8,475,578	8,115,065	7,554,209	6,704,778	7,352,137
British Columbia	702,000	649,000	494,000	163,000	362,000
Royalty Income	—	—	16,000	22,000	12,000
Total	25,345,578	25,869,065	26,420,209	26,097,778	26,183,137

Liquefied Petroleum Gas — Barrels

Alberta	93,314	422,983	403,810	446,952	412,619
Saskatchewan	795,654	903,205	965,227	1,019,411	1,292,855
Total	888,968	1,326,188	1,369,037	1,466,363	1,705,474

Sulphur — Long Tons

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Saskatchewan	1,864	428	—	—	2,705
Total	1,864	428	—	—	2,705

14 (D)

Gas Processing Plants

The following is a list of the gas processing plants presently in operation in which Provo has a working interest:

<u>Name of Plant</u>	<u>Capacity in Millions of cu. ft./day</u>	<u>Provo Interest</u> %	<u>Type of Operation</u>
Steelman	38.0	100.00000	LPG and Sulphur Recovery from Solution Gas
Edmonton	70.0	100.00000	LPG recovery from Pipeline Gas
Consort	77.0	77.01370	Condensate Recovery and Dew Point Control
Wimborne	44.0	0.33354	Sulphur Recovery and Dew Point Control
Lone Pine	24.3	0.67000	Sulphur Recovery and Dew Point Control
Sylvan Lake #1	43.0	0.04600	Condensate Recovery and Dew Point Control
Sylvan Lake #2	26.0	1.27300	Condensate Recovery and Dew Point Control

14 (E)

Liquefied Petroleum Gas Marketing and Storage Facilities

Provo carries out a retail marketing operation in northern Manitoba at the towns of The Pas, Flin Flon, Cranberry Portage, Thompson, Snow Lake and Churchill. Total sales from these operations during 1966 amounted to 10.6 million gallons.

Provo also owns a liquefied petroleum gas storage facility at Melville, Saskatchewan, with a current capacity of approximately 40 million Canadian gallons from five wells which are used for the storage of propane, field grade butane and normal butane. This storage facility is connected by a Provo 3" products pipeline approximately 45 miles in length with the products pipeline owned by Pacific Petroleum Ltd.

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**DESCRIPTION OF BUSINESS OF DOME
PETROLEUM LIMITED**

Dome is engaged directly, or indirectly through subsidiaries, in the business of exploring for, acquiring and developing oil and gas reserves, and the production and sale of natural gas, condensate and crude oil in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, in the Yukon and Northwest Territories, and in the States of Montana, North Dakota and Kansas.

15 (A)

Land

The following tabulation shows the interest of Dome in non-producing oil and gas rights as of March 31st, 1967:

<u>Area</u>	<u>Gross Acres</u>	<u>Net Acres</u>
Alberta	954,052	388,979
Saskatchewan	1,092,164	714,194
Manitoba	70,801	38,407
British Columbia	401,061	120,053
Ontario	4,987	4,987
Yukon and Northwest Territories	4,806,381	2,783,475
Montana	75,155	28,824
North Dakota	58,264	37,678
Kansas	4,150	2,656
Total	7,467,015	4,119,253

The following table shows the interest of Dome in producing oil and gas rights as at March 31st, 1967:

<u>Area</u>	<u>Wells</u>				<u>Acreage</u>	
	<u>Gross</u>		<u>Net</u>		<u>Gross</u>	<u>Net</u>
	<u>Oil</u>	<u>Gas</u>	<u>Oil</u>	<u>Gas</u>		
Alberta	1,165	193	114.15	12.27	293,218	20,739
Saskatchewan	214	1	119.40	.50	17,032	11,707
Manitoba	43	—	12.27	—	1,928	795
British Columbia	43	24	41.73	16.90	20,690	15,486
United States	22	—	4.40	—	840	176
Total	1,487	218	291.95	29.67	333,708	48,903

15 (B)

Drilling Activities

Dome, since becoming associated with Provo in 1956, has participated in the drilling of 627 wells. The following tabulation summarizes the drilling activity of Dome over the past eleven years:

	<u>Oil</u>		<u>Gas</u>		<u>Abandoned</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
DEVELOPMENT WELLS						
<i>Working Interest</i>						
1956	23	14.46	2	1.50	1	.50
1957	34	26.65	—	—	2	1.55

	<u>Oil</u>		<u>Gas</u>		<u>Abandoned</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
1958	39	30.87	—	—	3	3.00
1959	12	7.96	3	2.25	—	—
1960	20	18.24	5	3.37	—	—
1961	6	6.00	8	3.74	1	.75
1962	22	12.34	8	3.82	6	2.68
1963	49	23.12	2	.01	5	2.79
1964	30	18.45	9	2.35	4	2.10
1965	45	29.43	7	.07	3	1.58
1966	30	13.89	12	3.50	11	5.42

Royalty Interest

1956	—	—	—	—	—	—
1957	—	—	—	—	—	—
1958	—	—	—	—	—	—
1959	1	.10	3	1.50	1	.50
1960	6	.60	1	.10	3	.27
1961	2	.30	1	.10	1	.10
1962	—	—	—	—	—	—
1963	1	.07	—	—	1	.07
1964	3	.37	—	—	2	.12
1965	4	.27	—	—	2	.12
1966	—	—	—	—	1	.05
Total Development Wells	327	203.12	61	22.31	47	21.60

EXPLORATORY WELLS

Working Interest

1956	3	2.30	2	.92	13	5.20
1957	—	—	—	—	17	7.94
1958	—	—	2	1.00	14	5.37
1959	2	1.50	1	.75	8	4.02
1960	—	—	3	.89	11	5.00
1961	2	.46	2	.50	2	.88
1962	4	1.81	3	.55	5	1.16
1963	—	—	3	1.29	5	1.73
1964	1	1.00	2	.45	15	8.31
1965	7	2.90	1	1.00	19	9.44
1966	4	1.35	4	1.22	20	8.23

Royalty Interest

1956	—	—	—	—	—	—
1957	—	—	—	—	—	—
1958	—	—	—	—	—	—
1959	—	—	—	—	—	—
1960	—	—	2	.20	1	.10

	<u>Oil</u>		<u>Gas</u>		<u>Abandoned</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
1961	—	—	—	—	1	.05
1962	—	—	—	—	—	—
1963	—	—	—	—	—	—
1964	—	—	—	—	4	.37
1965	2	.10	—	—	2	.15
1966	1	.05	—	—	4	.25
Total Exploratory Wells	26	11.47	25	8.77	141	58.20

15(C)

Production

The following table sets forth the crude oil, condensate and natural gas production of Dome for each of the five years ending December 31st:

Crude Oil and Condensate — Barrels

	1962	1963	1964	1965	1966
Alberta	330,828	365,323	453,945	548,876	648,945
Saskatchewan	705,393	932,990	1,182,768	1,088,305	985,198
Manitoba	48,920	51,721	62,807	88,091	97,984
British Columbia	629,442	764,260	644,441	584,639	722,145
United States	—	—	23,433	142,240	159,759
Royalty Production	32,780	29,297	26,908	33,930	34,395
Total	1,747,363	2,143,591	2,394,302	2,486,081	2,648,426

Natural Gas Sales — Thousands of Cubic Feet

	1962	1963	1964	1965	1966
Alberta	760,000	902,000	1,022,000	1,628,000	1,668,000
Saskatchewan	261,000	359,000	438,000	1,055,000	881,000
British Columbia	8,813,000	8,218,000	8,209,000	7,855,000	9,508,000
Royalty Production	256,000	76,000	205,000	185,000	180,000
Total	10,090,000	9,555,000	9,874,000	10,723,000	12,237,000

15(D)

Gas Processing Plants

The gas processing plants presently in operation in which Dome has a working interest are as follows:

<u>Name of Plant</u>	<u>Capacity Residue Gas MMcf/d</u>	<u>Dome Interest %</u>	<u>Type of Operation</u>
Consort	77.0	0.336300	Condensate Recovery and Dew Point Control
Rimbey	309.0	0.614278	LPG and Sulphur Recovery from Wet Gas
Lone Pine	24.3	21.600000	Sulphur Recovery and Dew Point Control
Sylvan Lake #1	43.0	0.087000	Condensate Recovery and Dew Point Control
Sylvan Lake #2	26.0	2.546000	Condensate Recovery and Dew Point Control
Judy Creek	45.0	0.307580	LPG Recovery from Solution Gas

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RIGHTS OF DISSENTING SHAREHOLDERS

If the Arrangement is agreed to by the requisite majority of the Shareholders of Provo as provided for by Section 139 of The Companies Act and as outlined in Paragraph 1 - VOTING - above, then as soon as possible after the expiration of seven days from the date upon which the shareholders agree to the Arrangement, Provo shall apply to the Court for an order sanctioning the Arrangement; and if any Shareholder of Provo who did not vote in favour of the Arrangement shall, within the said period of seven days, have expressed his desire to dissent therefrom by a notice in writing addressed to Provo and sent to or left at its registered office, such notice shall be brought to the attention of the Court on the said application and Provo shall give notice to such Shareholder of any direction made by the Court.

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MISCELLANEOUS

The individuals named in the proxy were designated by the Board of Directors of Provo. A Shareholder who executes a proxy retains the right to revoke it at any time before it is voted.

Shares represented by proxy will be voted in accordance with the wishes of the Shareholders as recorded on the proxies completed by them. If however, no direction is given on the signed proxies, they will be voted in favour of the resolution.

In addition to the use of mails, proxies may be solicited by directors, officers and regularly engaged employees of Provo by personal interview, telephone, and telegraph, and it is anticipated that banks, brokerage houses and other custodians, nominees and fiduciaries, will be requested to forward the soliciting material to their principals and to obtain authorization for the execution of proxies and will be reimbursed for their expenses incurred in connection therewith.

The Management of Provo does not intend to present any other matter for action at the Meeting and has not been informed that other persons intend to present any matters for action at the Meeting.

EFFECT OF TRANSACTION

PRO FORMA DEBT AND CAPITALIZATION

The debt and capitalization of Provo Gas Producers Limited and Dome Petroleum Limited as of March 31, 1967, as adjusted pro forma to reflect the completion of the Arrangement are set forth below:

	<i>Amount Authorized or to be Authorized</i>	<i>Amount outstanding as of March 31, 1967 on a pro forma basis after completion of the Arrangement</i>
PROVO GAS PRODUCERS LIMITED		
Capital Stock		
Common shares — no par value	10,000,000	9,313,016 (Note 1)
PROVO GAS PRODUCERS LIMITED		
Long Term Obligations		
PROVO GAS PRODUCERS LIMITED		
Bank loan (secured) — due \$400,000 annually	\$2,000,000	\$1,133,342
Bank loan (secured) (U.S. \$1,666,670) — due U.S. \$400,000 annually	2,152,206	1,685,901
5¾% First Mortgage Serial Bonds, due November 15, 1984 (redeemable in varying annual amounts commencing in 1967) —		
Series A (U.S. \$9,000,000)	9,721,313	9,721,313
Series B (U.S. \$3,100,000)	3,333,109	3,333,109
STEELMAN GAS LIMITED		
6% First Mortgage Bonds due February 15, 1970 subject to amortization fund —		
Series A (U.S. \$4,000,000)	4,324,000	4,324,000
Series B	2,000,000	862,000
6% Debentures Series A due May 15, 1973 subject to sinking fund (no payment required in 1967)	2,000,000	2,000,000
Future rentals payable re leased equipment (\$136,391 payable in 1967)	434,796	400,698
WESTERN NACO PETROLEUMS LIMITED		
5½% Secured Debentures due July 1, 1970 subject to sinking fund (no payment required in 1967)	750,000	295,500
PROVO INC.		
Bank loan (U.S. \$420,000) payable U.S. \$22,500 quarterly to December 31, 1968 and U.S. \$30,000 quarterly thereafter (secured by producing properties)	648,649	429,730
DOME PETROLEUM LIMITED		
Capital Stock		
Common shares — \$2.50 par value	5,000,000	3,341,777
DOME PETROLEUM LIMITED		
Long-Term Obligations		
DOME REALITY LIMITED		
6½% First Mortgage Bonds — maturing annually to 1985	\$1,100,000	\$ 942,000
DOME PETROLEUM CORP.		
Bank loan (U.S. \$840,000) payable U.S. \$45,000 quarterly to December 31, 1968 and U.S. \$60,000 quarterly thereafter (secured by producing properties)	1,297,298	859,460
DOME PETROLEUM LIMITED		
6% Series A Debenture due February 15, 1970 (secured by a specific charge on certain producing properties in the Province of Saskatchewan)	4,324,000	3,160,111
Bank loan (secured) repayable over a 5-year period	7,500,000	1,000,000

Note 1—All of the outstanding shares of Provo Gas Producers Limited will be held by Dome Petroleum Limited after completion of the arrangement.

Options outstanding in the event of completion of the Arrangement:

PROVO GAS PRODUCERS LIMITED

- (1) 181,600 shares in respect of options granted to officers and employees at prices from \$1.60 - \$3.10 exercisable for periods up to August 4, 1976.
- (2) 120,000 shares for the Stock Purchase Warrant Holders at \$3.50 (U.S.) per share until September 30, 1967 and thereafter at \$3.75 (U.S.) per share until September 30, 1970.
- (3) 60,000 shares for the Stock Purchase Warrant Holders at \$3.50 per share until September 30, 1967 and thereafter at \$3.75 per share until September 30, 1970.

DOME PETROLEUM LIMITED

- (1) 2,900 shares in respect of options granted to officers and employees at \$5.00 per share exercisable on various dates to June 1, 1972.
- (2) 55,000 shares in respect of options granted to officers and employees at \$14.25 per share exercisable on various dates to June 15, 1976.

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AUDITORS' REPORT

To the Directors of

Provo Gas Producers Limited and Dome Petroleum Limited.

We have examined the consolidated balance sheets and the pro forma combined balance sheet of Provo Gas Producers Limited and Dome Petroleum Limited and their respective subsidiaries at December 31, 1966. We have also examined the consolidated statements of income and pro forma statement of combined income of Provo Gas Producers Limited and Dome Petroleum Limited and their respective subsidiaries for the five years ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except that, for reasons of corporate policy explained in Note 2 to the consolidated statements of income, data regarding the Companies' North Zama oil and gas reserves was not made available to us.

In our opinion, subject to such adjustment of the provisions for depletion and depreciation and of net income as would result from the inclusion of the North Zama reserves mentioned above in the computations for 1966:

- (a) The accompanying consolidated balance sheets present fairly the financial position of the companies at December 31, 1966;
- (b) The accompanying pro forma combined balance sheet presents fairly the financial position of the companies at December 31, 1966 after giving effect to the changes set forth in Note 1;
- (c) The accompanying consolidated statements of income present fairly the results of operations of the companies for the five years ended December 31, 1966;
- (d) The accompanying pro forma statement of combined income presents fairly the results of operations of the companies for the five years ended December 31, 1966 after giving effect to the changes set forth in Note A;

all in accordance with generally accepted accounting principles applied on a consistent basis, except for the change in accounting practice referred to in Note 2 to the consolidated statements of income, which change we approve.

Calgary, Alberta.
April 17, 1967.

CLARKSON, GORDON & CO.,
Chartered Accountants.

PROVO GAS PRODUCERS LIMITED

AND ITS SUBSIDIARIES

and

DOME PETROLEUM LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AND PRO FORMA COMBINED BALANCE SHEET AS AT DECEMBER 31, 1966

ASSETS

CONSOLIDATED BALANCE SHEETS

	Provo Gas Producers Limited	Dome Petroleum Limited	Pro Forma Combined Balance Sheet
CURRENT:			
Cash	\$ 663,733	\$ 548,931	\$ 1,212,664
Short term deposit and marketable securities at cost which approximates market		3,476,889	3,476,889
Accounts receivable —			
Trade	1,856,567	1,688,252	3,544,819
Affiliates		548,178	74,425
Inventories —			
Products and merchandise at the lower of cost or net realizable value	573,084		573,084
Materials and supplies at cost	204,283	147,142	351,425
Prepaid expenses	137,007	10,791	147,798
	<u>3,434,674</u>	<u>6,420,183</u>	<u>9,381,104</u>
INVESTMENTS — AT COST:			
Provo Gas Producers Limited — 3,567,602 shares		4,265,790	
Other shares and debentures		353,588	353,588
		<u>4,619,378</u>	<u>353,588</u>
AMORTIZATION FUND FOR RETIREMENT OF FIRST MORTGAGE BONDS	3,597,866		3,597,866
PROPERTY, PLANT AND EQUIPMENT (Note 3)	38,552,254	35,161,162	73,713,416
OTHER:			
Financing, market development and pre-production expenses less amounts written off	636,390		636,390
Due from officer re purchase of shares		167,500	167,500
Deposits, etc.	300,318	165,288	465,606
	<u>936,708</u>	<u>332,788</u>	<u>1,269,496</u>
	<u>\$46,521,502</u>	<u>\$46,533,511</u>	<u>\$88,315,470</u>

See accompanying notes.

LIABILITIES

	CONSOLIDATED BALANCE SHEETS		
	Provo Gas Producers Limited	Dome Petroleum Limited	Pro Forma Combined Balance Sheet
CURRENT:			
Bank loans (Note 4)	\$ 500,000	\$ 3,000,000	\$ 3,500,000
Accounts payable —			
Trade	990,034	1,699,913	2,689,947
Affiliates	459,585	14,168	
7% Debentures (Note 4)		3,000,000	3,000,000
Accrued interest on long term debt	236,180	104,703	340,883
Amortization fund instalment due February 15, 1967	390,000		390,000
Current instalments on long term debt	1,496,693	222,595	1,719,288
	<u>4,072,492</u>	<u>8,041,379</u>	<u>11,640,118</u>
LONG TERM DEBT (Note 5)	<u>23,086,930</u>	<u>4,489,223</u>	<u>27,576,153</u>
SHAREHOLDERS' EQUITY:			
Capital (Note 6) —			
Provo Gas Producers Limited:			
Authorized — 10,000,000 shares of no par value			
Issued — 9,313,016 shares	14,657,723		
Dome Petroleum Limited:			
Authorized — 5,000,000 shares of a par value of \$2.50			
Issued — 2,621,700 shares		6,554,250	
Issued (after completion of Arrangement) 3,339,877 shares			8,349,692
Paid-in surplus		4,192,329	12,788,820
Earned surplus	4,704,357	23,256,330	27,960,687
	<u>19,362,080</u>	<u>34,002,909</u>	<u>49,099,199</u>
	<u>\$46,521,502</u>	<u>\$46,533,511</u>	<u>\$88,315,470</u>

See accompanying notes.

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PROVO GAS PRODUCERS LIMITED
and
DOME PETROLEUM LIMITED

NOTES TO CONSOLIDATED BALANCE SHEETS
and
PRO FORMA COMBINED BALANCE SHEET

1. PRO FORMA COMBINED BALANCE SHEET

The pro forma combined balance sheet at December 31, 1966 gives effect to an arrangement for the issuance of 718,177 shares of \$2.50 par value capital stock of Dome Petroleum Limited (\$1,795,442) in exchange for all of the outstanding shares of Provo Gas Producers Limited not presently owned by Dome. For accounting purposes the transaction has been treated as a pooling of interests resulting in a credit to paid-in surplus of \$8,596,491 which amount represents the increase in the carrying value of Provo shares in Dome's accounts to an amount equal to the stated value to Provo's capital stock.

2. ACCOUNTING PRACTICE

The consolidated financial statements include the accounts of Provo Gas Producers Limited and Dome Petroleum Limited and all their subsidiaries. Reference is made to Note 2 to the consolidated statements of income for details of a change in the companies' accounting practice effective January 1, 1965 and the computation of depletion and depreciation in 1966.

3. PROPERTY, PLANT AND EQUIPMENT

Details of the companies' property, plant and equipment are as follows:

	<i>Gross investment at cost</i>	<i>Accumulated depreciation and depletion</i>	<i>Net investment</i>
Provo Gas Producers Limited —			
Oil and gas properties	\$20,186,991	\$ 3,031,899	\$17,155,092
Gas plants and gathering systems	23,149,188	7,175,746	15,973,442
Propane marketing equipment	3,569,210	270,290	3,298,920
Production and other equipment	2,652,121	527,321	2,124,800
	<u>\$49,557,510</u>	<u>\$11,005,256</u>	<u>\$38,552,254</u>
Dome Petroleum Limited —			
Oil and gas properties	\$32,301,092	\$ 5,935,951	\$26,365,141
Production and other equipment	9,880,851	2,043,684	7,837,167
Office building	1,230,165	271,311	958,854
	<u>\$43,412,108</u>	<u>\$ 8,250,946</u>	<u>\$35,161,162</u>

4. BANK LOANS AND DEBENTURES

Dome Petroleum's current bank loans of \$3,000,000 are secured by assignment of book debts and an undertaking to provide oil and gas security if requested. The \$3,000,000 debenture is due to Dome Mines Limited and is secured by a pledge of certain producing properties in the Province of British Columbia.

5. LONG TERM DEBT

Details of the companies' long term debt are as follows:

Provo Gas Producers Limited —

5¾% First Mortgage Serial Bonds due November 15, 1984 (redeemable in varying annual amounts commencing in 1967) —

Series A (U.S. \$9,000,000)	\$ 9,721,313
Series B (U.S. \$3,100,000)	3,333,109
Bank loan (secured) — due \$400,000 annually	1,233,341
Bank loan (secured) (U.S. \$1,666,670) — due U.S. \$400,000 annually	1,793,510

Subsidiaries of Provo Gas Producers Limited —

6% First Mortgage Bonds due February 15, 1970 subject to amortization fund — Series A (U.S. \$4,000,000)	4,324,000
Series B	990,000
6% Debentures Series A due May 15, 1973 subject to sinking fund (no payment required in 1967)	2,000,000
5½% Secured Debentures due July 1, 1970 subject to sinking fund (no payment required in 1967)	299,500
Bank loan (U.S. \$420,000) payable U.S. \$22,500 quarterly to December 31, 1968 and U.S. \$30,000 quarterly thereafter (secured by producing properties)	454,054
Future rentals payable re leased equipment (\$136,391 payable in 1967)	434,796
	<u>24,583,623</u>
Less instalments due within one year included in current liabilities	1,496,693
	<u>\$23,086,930</u>

Dome Petroleum Limited —

6% Series "A" Debenture due February 15, 1970 (secured by a specific charge on certain pro- ducing properties in the Province of Saskatchewan)	\$ 2,833,710
Subsidiaries of Dome Petroleum Limited —	
6½% First Mortgage Bonds maturing annually from 1967 to 1985	970,000
Bank loan (U.S. \$840,000) payable U.S. \$45,000 quarterly to December 31, 1968 and U.S. \$60,000 quarterly thereafter (secured by certain producing properties in the United States)	908,108
	<u>4,711,818</u>
Less instalments due within one year included in current liabilities	222,595
	<u>\$ 4,489,223</u>

6. CAPITAL

- 661,600 shares of Provo's capital stock were reserved at December 31, 1966 as follows:
- 300,000 shares for options granted to Dome Petroleum Limited at \$2.20 per share exercisable until February 1, 1968 providing the management contract remains in force.
 - 121,600 shares for the options granted to officers and employees at \$1.60 per share exercisable on various dates to May 2, 1972.
 - 60,000 shares for the options granted to officers and employees at \$3.10 per share exercisable on various dates to August 4, 1976.
 - 180,000 shares for the Stock Purchase Warrant Holders of Steelman Gas Limited at \$3.50 (U.S.) per share until September 30, 1967 and thereafter at \$3.75 (U.S.) per share until September 30, 1970.

If the Arrangement described in Note 1 is completed, the options granted to Dome to purchase 300,000 shares of Provo will be cancelled. The remaining options and stock purchase warrants of Provo will upon exercise be satisfied with shares of Dome in the ratio of one share of Dome for each eight shares of Provo.

58,300 shares of Dome's capital stock were reserved at December 31, 1966 for options outstanding to employees to purchase shares of the Company's capital stock as follows:

- 3,300 shares at \$5 per share exercisable on various dates to June 1, 1972.
- 55,000 shares at \$14.25 per share exercisable on various dates to June 15, 1976.

PROVO GAS PRODUCERS LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
For The Five Years Ended December 31, 1966

	Years ended December 31,				
	1962	1963	1964	1965	1966
				(Note 2)	(Note 2)
Income:					
Crude oil and natural gas sales	\$ 2,512,763	\$ 2,819,481	\$ 3,202,185	\$ 3,520,709	\$ 3,586,080
Propane and other product sales					
less cost of sales	2,330,809	2,947,015	3,120,825	3,471,287	4,496,270
Other income	128,616	120,357	237,514	204,955	338,362
	<u>4,972,188</u>	<u>5,886,853</u>	<u>6,560,524</u>	<u>7,196,951</u>	<u>8,420,712</u>
Deduct:					
Operating expenses	1,449,343	1,777,297	2,044,378	2,243,069	2,674,559
General and administrative expenses	230,868	272,822	315,844	281,546	404,104
Interest	829,305	922,392	1,105,115	1,221,459	1,465,972
	<u>2,509,516</u>	<u>2,972,511</u>	<u>3,465,337</u>	<u>3,746,074</u>	<u>4,544,635</u>
Operating income before depreciation, depletion and other charges	<u>2,462,672</u>	<u>2,914,342</u>	<u>3,095,187</u>	<u>3,450,877</u>	<u>3,876,077</u>
Deduct:					
Acreage rentals on undeveloped properties	188,335	200,544	205,341	—	—
Exploration, dry holes and lease abandonments	398,982	281,677	338,214	—	—
Depreciation	1,181,600	1,118,232	1,131,006	1,102,448	1,162,405
Depletion	376,469	391,685	454,057	568,716	572,349
Amortization of financing expenses	76,342	74,304	50,307	55,844	59,507
	<u>2,221,728</u>	<u>2,066,442</u>	<u>2,178,925</u>	<u>1,727,008</u>	<u>1,794,261</u>
Net income (Notes 2 and 3)	<u>\$ 240,944</u>	<u>\$ 847,900</u>	<u>\$ 916,262</u>	<u>\$ 1,723,869</u>	<u>\$ 2,081,816</u>
Earnings per share (Note 5)	\$.03	\$.11	\$.11	\$.20	\$.22

DOME PETROLEUM LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
For The Five Years Ended December 31, 1966

	Years ended December 31,				
	1962	1963	1964	1965 (Note 2)	1966 (Note 2)
Income:					
Crude oil and natural gas sales	\$ 4,837,826	\$ 5,866,060	\$ 6,655,565	\$ 6,996,538	\$ 7,588,559
Investment income	132,432	109,472	105,033	107,025	148,813
Other income	58,594	52,510	50,866	43,946	53,800
	<u>5,028,852</u>	<u>6,028,042</u>	<u>6,811,464</u>	<u>7,147,509</u>	<u>7,791,172</u>
Deduct:					
Operating expenses	888,960	1,108,683	1,129,554	1,336,684	1,490,617
General and administrative expenses net of management fees	5,685	27,421	23,770	77,001	115,706
Interest	254,454	112,924	81,770	201,578	342,586
	<u>1,149,099</u>	<u>1,249,028</u>	<u>1,235,094</u>	<u>1,615,263</u>	<u>1,948,909</u>
Operating income before depreciation, depletion and other charges	<u>3,879,753</u>	<u>4,779,014</u>	<u>5,576,370</u>	<u>5,532,246</u>	<u>5,842,263</u>
Deduct:					
Acreage rentals on undeveloped properties	257,432	271,999	324,707	—	—
Exploration, dry hole costs and lease abandonments	673,282	760,936	816,152	—	—
Depreciation	265,703	379,347	475,164	414,675	372,988
Depletion	643,807	629,035	791,536	1,067,916	1,127,266
	<u>1,840,224</u>	<u>2,041,317</u>	<u>2,407,559</u>	<u>1,482,591</u>	<u>1,500,254</u>
Net income (Notes 2 and 3)	<u>2,039,529</u>	<u>2,737,697</u>	<u>3,168,811</u>	<u>4,049,655</u>	<u>4,342,009</u>
Non-recurring item — gain on sale of property	3,536,393	—	398,166	—	—
Net income and non-recurring item	<u>\$ 5,575,922</u>	<u>\$ 2,737,697</u>	<u>\$ 3,566,977</u>	<u>\$ 4,049,655</u>	<u>\$ 4,342,009</u>
Earnings per share (Note 5):					
Net income	\$.79	\$1.06	\$1.22	\$1.55	\$1.66
Non-recurring item	\$1.37	—	\$.15	—	—

PROVO GAS PRODUCERS LIMITED
and
DOME PETROLEUM LIMITED
NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. SUBSIDIARIES

The consolidated financial statements include the accounts of Provo Gas Producers Limited and Dome Petroleum Limited and all their subsidiaries.

Commencing in 1964 Provo Gas Producers Limited increased its ownership in Steelman Gas Limited from 41% to 100%. For accounting purposes the transaction was treated as a pooling of interests and accordingly the consolidated statement of income of Provo includes the operating results of Steelman for the entire five year period.

2. ACCOUNTING PRACTICE

Effective January 1, 1965 the companies adopted the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided on the unit of production basis. Prior to 1965 the companies followed the practice of expensing exploration charges, non-productive development expenses, carrying charges on non-producing properties and the cost of leaseholds and reservations surrendered. As a result of the change in accounting practice, reported net income for 1965 was increased by \$1,184,649 in respect of Dome and \$742,443 in respect of Provo.

During 1966 significant oil and gas discoveries were made in the North Zama region of Alberta. In order to protect its position in future competitive bidding on adjoining Crown acreage, the companies have elected not to disclose reserves of oil and gas for this area or take them into account in computing the 1966 provisions for depletion and depreciation. Accordingly, depletion and depreciation for 1966 have been computed using the same rates per barrel as were used in 1965. The inclusion of the North Zama reserves would have resulted in a reduction in the 1966 provisions for depletion and depreciation.

3. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No income taxes have been payable by either of the companies or their subsidiaries and at December 31, 1966 an excess of such expenditures amounting to \$5,950,000 in respect of Provo and \$5,160,000 in respect of Dome was available to be carried forward against future taxable income. In addition, the companies may claim capital cost allowances in future years of \$16,150,000 and \$3,119,000 respectively in respect of depreciable assets.

4. DIVIDENDS

No dividends have been paid by Provo or Dome.

5. EARNINGS PER SHARE

Earnings per share have been determined based on the number of shares outstanding at the end of the respective years.

PROVO GAS PRODUCERS LIMITED

AND ITS SUBSIDIARIES

and

DOME PETROLEUM LIMITED

AND ITS SUBSIDIARIES

PRO FORMA STATEMENT OF COMBINED INCOME

For The Five Years Ended December 31, 1966

	Years ended December 31,				
	1962	1963	1964	1965	1966
Income:				(Note B)	(Note B)
Crude oil and natural gas sales	\$ 7,350,589	\$ 8,685,541	\$ 9,857,750	\$10,517,247	\$11,174,639
Propane and other product sales less cost of sales	2,330,809	2,947,015	3,120,825	3,471,287	4,496,270
Investment income	132,432	109,472	105,033	107,025	148,813
Other income	187,210	172,867	288,380	248,901	392,162
	<u>10,001,040</u>	<u>11,914,895</u>	<u>13,371,988</u>	<u>14,344,460</u>	<u>16,211,884</u>
Deduct:					
Operating expenses	2,338,303	2,885,980	3,173,932	3,579,753	4,165,176
General and administrative expenses	236,553	300,243	339,614	358,547	519,810
Interest	1,083,759	1,035,316	1,186,885	1,423,037	1,808,558
	<u>3,658,615</u>	<u>4,221,539</u>	<u>4,700,431</u>	<u>5,361,337</u>	<u>6,493,544</u>
Operating income before depreciation, depletion and other charges	<u>6,342,425</u>	<u>7,693,356</u>	<u>8,671,557</u>	<u>8,983,123</u>	<u>9,718,340</u>
Deduct:					
Acreage rentals on undeveloped properties . .	445,767	472,543	530,048	—	—
Exploration, dry hole costs and lease abandonments	1,072,264	1,042,613	1,154,366	—	—
Depreciation	1,447,303	1,497,579	1,606,170	1,517,123	1,535,393
Depletion	1,020,276	1,020,720	1,245,593	1,636,632	1,699,615
Amortization	76,342	74,304	50,307	55,844	59,507
	<u>4,061,952</u>	<u>4,107,759</u>	<u>4,586,484</u>	<u>3,209,599</u>	<u>3,294,515</u>
Pro forma net income (Note B)	<u>2,280,473</u>	<u>3,585,597</u>	<u>4,085,073</u>	<u>5,773,524</u>	<u>6,423,825</u>
Non-recurring item — gain on sale of property	<u>3,536,393</u>	<u>—</u>	<u>398,166</u>	<u>—</u>	<u>—</u>
Pro forma net income and non-recurring item	<u>\$ 5,816,866</u>	<u>\$ 3,585,597</u>	<u>\$ 4,483,239</u>	<u>\$ 5,773,524</u>	<u>\$ 6,423,825</u>
Pro forma earnings per share (Note C):					
Net income	\$.69	\$1.08	\$1.23	\$1.68	\$1.92
Non-recurring item	\$1.07	—	\$.12	—	—

Notes:

- The pro forma statement of combined income is based on the assumption that Dome Petroleum Limited will acquire all of the outstanding shares of Provo Gas Producers Limited which it does not presently own in exchange for 718,177 shares of Dome. The consolidated income of Provo is included with the consolidated income of Dome for the entire period on the basis that the acquisition will be treated as a pooling of interests for accounting purposes.
- The notes relating to the consolidated statements of income of Provo Gas Producers Limited and its wholly owned subsidiaries and Dome Petroleum Limited and its wholly owned subsidiaries on page 22 form an integral part of the notes to the pro forma statement of combined income.
- Pro forma earnings per share have been determined based on the number of shares of Dome outstanding at the end of the respective years adjusted to give retroactive effect to the proposed issuance of 718,177 shares of Dome as explained in Note A above.

AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 30th day of March, 1967,

BETWEEN:

DOME PETROLEUM LIMITED, a company incorporated under the provisions of the Companies Act of Canada (now the Canada Corporations Act), with Head Office at the City of Calgary in the Province of Alberta, (hereinafter called "Dome"),

OF THE FIRST PART

— and —

PROVO GAS PRODUCERS LIMITED, a company incorporated under the provisions of The Companies Act of the Province of Alberta, with Head Office at the said City of Calgary, (hereinafter called "Provo"),

OF THE SECOND PART

WHEREAS Dome was incorporated on the 23rd day of January, 1950, under the provisions of the Companies Act of Canada (now the Canada Corporations Act) and has an authorized capital of 5,000,000 shares of the par value of \$2.50 each, of which 2,622,100 shares have been issued as fully paid and non-assessable and 57,900 shares may be purchased by the holders of outstanding options; and

WHEREAS Provo was incorporated on the 24th day of November, 1955, under the provisions of The Companies Act of the Province of Alberta and has an authorized capital of 10,000,000 shares without nominal or par value of which 9,313,016 shares have been issued as fully paid and non-assessable and 661,600 shares may be acquired by the holders of outstanding options and option warrants; and

WHEREAS Dome and Provo have agreed that it would be desirable to amalgamate the operations and, so far as is possible, the corporate entities of Dome and Provo; and

WHEREAS Dome and Provo have agreed that in order to complete the first step towards such amalgamation Provo should become the wholly-owned subsidiary of Dome on the terms and subject to the conditions and provisions hereinafter set forth and contained, and that Provo should enter into an arrangement with Provo's members to effect this first step in such proposed amalgamation:

NOW THEREFORE THIS AGREEMENT WITNESSETH that in reliance on the representations and warranties of the parties herein contained, and in consideration of the premises and of the covenants and agreements of the parties hereto, IT IS AGREED as follows:

1. This Agreement is conditioned:

- (a) upon the approval of this Agreement by a majority in number representing three-fourths in value of the members of Provo present and voting either in person or by proxy at a meeting of the members of Provo called to consider an arrangement between Provo and its members in the form annexed hereto as Schedule "A" (hereinafter called "the Arrangement") pursuant to Section 139 of The Companies Act of the Province of Alberta, and upon the agreement to the Arrangement by the said majority of the members of Provo;
- (b) upon the sanction (hereinafter called "the sanction") of the Arrangement by the Court as required pursuant to the provisions of Section 139 of The Companies Act of Alberta;

- (c) upon the issue of a ruling satisfactory to Provo to the effect that the receipt of Dome shares by members of Provo as contemplated by this Agreement will not result in recognition of gain or loss for United States income tax purposes; provided that Provo may in writing waive the obtaining of the said ruling as a condition hereof;
- (d) upon the issue of a ruling that the additional Dome shares to be issued as provided herein shall be exempt from the tax imposed under the Interest Equalization Tax Act of the United States;
- (e) upon the issue and allotment of the shares of Dome as provided herein being authorized by each stock exchange upon which the presently outstanding shares of Dome are listed, and upon the listing (where required) of such additional Dome shares on the said stock exchanges;
- (f) upon the approval of the allotment and issue by Dome of the shares of Dome required to be allotted and issued pursuant to the provisions of Section 6 hereof by the vote of a majority of the shares of Dome which are represented in person or by proxy at a Special General Meeting of the shareholders of Dome to be called for the purpose of considering this Agreement;
- (g) upon the approval by the competent securities and exchange commissions and similar governmental authorities of all matters and materials in connection with the said meetings of the members of Provo and the shareholders of Dome, including, in particular, the proxy statement required therefor, it being understood that either Company may decline to proceed to call such meeting if it would require the untimely disclosure of information regarding its oil and gas properties which is presently confidential and the disclosure of which would, in the opinion of the Company affected, not be in the best interests of Dome and Provo or either of them;
- (h) upon the number of shares of Provo held by members of Provo who effectually dissent from the Arrangement in the manner and within the period provided in Section 8 of the Arrangement not exceeding 10% of the number of shares of Provo outstanding at the Closing Date, and upon the amount required by the Court to be given by Provo in cash or other consideration to such members of Provo for their interest in Provo not exceeding the least of (i) 10% of the fair market value of Provo's assets, or (ii) the amount of cash and readily realizable assets of Provo, or (iii) that amount which in Dome's opinion would, if exceeded, so adversely affect Provo's operations as to warrant the termination of this Agreement; provided that, by resolution of Dome's directors, Dome may in writing waive the provisions of this Clause (h) in whole or in part;
- (i) upon each of the representations and warranties of Provo and Dome contained in Section 2 hereof being true as of the Closing Date with the same effect as if made as of the Closing Date;
- (j) upon there having been no substantial adverse changes in the condition, financial or otherwise, of Provo and Dome between the date first above written and the Closing Date, except changes occurring in the ordinary course of business; and
- (k) upon each of the covenants and agreements of Provo and Dome herein contained which are to be observed and performed at or prior to the Closing Date having been duly observed and performed.

2. Dome and Provo each respectively represents that its share capital, assets and liabilities are substantially as represented in its balance sheet as at December 31, 1966, and that its properties are substantially as indicated on the said balance sheet or in the report to its members accompanying it.

3. Each of the parties hereto represents and warrants to the other that it has been duly incorporated as respectively represented in the recitals hereto; that it has due corporate power to carry on the business now being carried on by it; that it is duly qualified and in good standing in all jurisdictions where such qualification is required; that it is not a defendant or respondent in any litigation or

administrative proceeding, nor is any threatened, which, if adversely determined against it, would cause any material adverse change in relation to its business or assets.

4. Provo agrees that, as soon as it is reasonably practicable, it will take the necessary steps for the calling and holding of a meeting of its members for the purpose of considering and, if thought fit, approving this Agreement and agreeing to the Arrangement and that, as soon as practicable after the approval of this Agreement and the agreement to the Arrangement, as aforesaid, has been obtained, it will take the necessary steps to submit the Arrangement to the Supreme Court of Alberta for sanction. Provo shall also promptly proceed to obtain the ruling required under subsection 1 (c) hereof.

5. Dome shall, as soon as is reasonably practicable, take the necessary steps (i) to call and hold a Special General Meeting of the shareholders of Dome for the purpose of considering and, if thought fit, of approving the allotment and issue of the shares of Dome required to be allotted and issued pursuant to Section 6 hereof; (ii) to arrange for the listing on the stock exchanges on which Dome shares are presently listed of all those Dome shares to be allotted and issued pursuant to Section 6 of this Agreement, and (iii) to obtain the ruling required under subsection 1 (d) hereof.

6. Dome covenants and agrees that, upon this Agreement becoming effective, Dome will reserve such number of fully paid and non-assessable shares of Dome for allotment and issue as required from time to time by National Trust Company, Limited, as trustee for the former members of Provo, other than former members who have effectually dissented from the Arrangement in the manner and within the period provided in Section 8 of the Arrangement, to enable such former members of Provo (except the said effectually dissenting members) to become holders of shares of Dome in accordance with the terms of the Arrangement. Dome further covenants and agrees to pay to National Trust Company, Limited from time to time, as such trustee, such amounts of cash as shall be required to enable National Trust Company, Limited to pay to former members of Provo (except the said effectually dissenting members) the amount representing settlement for fractional shares of Dome as provided in the Arrangement.

7. Except for the purposes of carrying out this Agreement and, in the case of Provo, of carrying out the Arrangement between Provo and its members, neither Dome nor Provo, between the date of this Agreement and the Closing Date or termination of this Agreement, shall:

- (a) make any distribution by way of dividend or return of capital to its members or shareholders;
- (b) enter into any transaction or agreement or do any act or thing except in the ordinary course of its business, without the consent of the other party hereto;
- (c) issue any of its shares, except as may be required upon the exercise of an existing option or option warrant, or
- (d) grant any options on its shares except, in the case of Dome, employee stock options which remain to be issued pursuant to By-Law Number 48 of Dome.

8. This Agreement shall terminate absolutely and the Arrangement shall be abandoned if (i) it shall be determined by either party hereto on or prior to the Closing Date that any one or more of the conditions set forth in Section 1 hereof cannot or will not be met by reason of circumstances beyond the control of such party (as to which such party will be sole judge), or that the provisions of Sections 4, 5 and 6 of this Agreement cannot or will not be carried out by reason of such circumstances, and the party making such determination shall have given written notice of such determination to the other party hereto, or (ii) if the Closing Date shall not occur by September 1, 1967. Upon such termination, neither party shall be under any liability to the other hereunder.

9. The Closing Date shall be the date upon which each of the parties hereto shall have given notice to the other party hereto, representing that all of the conditions specified in Section 1 of this Agreement have been met. In giving such notice each party hereto shall be entitled to rely on the representations of the other party hereto with respect to those of the said conditions which are to be met by such other

party. Each such notice shall be signed by the President or a Vice-President together with the Secretary or Treasurer of the party giving the notice. No such notice shall be given on a day when the Toronto Stock Exchange is not open for trading.

Upon the Closing Date, the amalgamation of Dome and Provo, to the extent that it is carried out under the provisions of this Agreement and the Arrangement, shall be deemed to have occurred on March 30, 1967.

10. The directors of Provo, with the prior consent of Dome (which shall be deemed duly given and authorized if executed by the President or a Vice-President and the Secretary or Treasurer of Dome under Dome's corporate seal) shall have power to assent to the provisions made by the Court for any member of Provo who effectually dissents from the Arrangement within the time and in the manner directed by the Court, and to assent to any modification of this Agreement which the members of Provo or the Court pursuant to the provisions of The Companies Act of the Province of Alberta may think fit to direct or approve.

11. No expenses of Provo or its members in connection with this Agreement or the Arrangement shall be paid by Dome, but shall be borne and paid by Provo. Dome shall bear and pay all expenses of Dome with respect to this Agreement and the Arrangement.

12. The parties hereto shall, at such time after the Closing Date as the Directors of Dome consider appropriate having regard to the need for favourable rulings and opinions regarding taxation implications both to Dome and its shareholders, apply to the Court pursuant to Section 140 of The Companies Act of the Province of Alberta for an order providing for the transfer to Dome of the whole of the undertaking and the property and liabilities of Provo and the subsequent dissolution, without winding up, of Provo, the purpose being, in effect, the amalgamation of Dome and Provo.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

DOME PETROLEUM LIMITED

{ CORPORATE
SEAL }

"J. P. GALLAGHER"
President

"W. E. RICHARDS"
Secretary

PROVO GAS PRODUCERS LIMITED

{ CORPORATE
SEAL }

"D. M. WOLCOTT"
Vice-President

"H. T. ASTLE"
Treasurer

SCHEDULE "A"

This is Schedule "A" referred to in an Agreement made as of the 30th day of March, 1967, between DOME PETROLEUM LIMITED of the First Part, and PROVO GAS PRODUCERS LIMITED of the Second Part.

IN THE MATTER OF THE COMPANIES ACT

— and —

IN THE MATTER of an Arrangement between Provo Gas Producers Limited, a company incorporated under the laws of the Province of Alberta, and the members of Provo Gas Producers Limited.

ARRANGEMENT

1. The agreement (hereinafter called "the Agreement") between Dome Petroleum Limited (hereinafter called "Dome") and Provo Gas Producers Limited (hereinafter called "the Company"), dated as of March 30, 1967, shall be approved, ratified and confirmed.
2. The Company shall become the wholly-owned subsidiary of Dome in the manner hereinafter set out.
3. The Company shall observe and perform all of the covenants and agreements to be observed and performed by it under the terms of the Agreement and shall require Dome to observe and perform all of the covenants and agreements to be observed and performed by Dome thereunder, including its covenant to issue and allot as fully paid and non-assessable to National Trust Company, Limited, as trustee for the former members of the Company (other than those former members, hereinafter called "dissentients", who effectually dissent from this arrangement in the manner and within the period provided in Section 8 hereof) such number of shares of Dome of the par value of \$2.50 as shall enable such former members to become the holders of shares of Dome in accordance with the provisions of this arrangement.
4. Each holder of shares of the Company shall be entitled to one fully paid and non-assessable share of Dome of the par value of \$2.50 for each eight shares of the Company held by such holder upon surrender by such holder, as hereinafter provided, of the certificate or certificates representing shares of the Company held by such holder.

Upon the Closing Date defined in the Agreement:

- (a) All holders of certificates representing shares of the Company shall cease to be members of the Company and their names shall be removed from the Register of Members of the Company;
- (b) Dome (subject to the issue of such director's qualifying shares of the Company to Dome's nominees as Dome may desire) shall become and be the sole member and holder of all the issued and outstanding shares of the Company, its name shall be entered in the Register of Members of the Company as such, and it shall be entitled to receive a share certificate or share certificates representing such shares;
- (c) Each certificate formerly representing shares of the Company held by such former member of the Company shall thenceforth represent:
 - (i) in the case of a former member of the Company who is not a dissentient — the right upon the surrender of such certificate to National Trust Company, Limited on or before June 30, 1972, (or such later date as is provided for in Section 6 hereof) and upon payment of all applicable transfer taxes and transfer fees;

(1) to require National Trust Company, Limited to transfer to the holder of such certificate the number of whole shares of Dome to which such holder is entitled under the terms of this arrangement; and

(2) to require National Trust Company, Limited to account to such holder for any fractional share of Dome to which such holder would be entitled under the terms of this arrangement, as more particularly provided for in Section 5 hereof.

(ii) in the case of a former member of the Company who is a dissident — the right, upon the surrender of such certificate to National Trust Company, Limited, to receive from the Company such award as may be made to such former member by or as a result of any direction of the Court made in that behalf.

5. Nothing in this arrangement shall entitle any person to receive a certificate representing a fractional share of Dome. Should any former member of the Company become entitled to a fractional share of Dome, National Trust Company, Limited shall pay to that member in cash or by cheque an amount representing (in Canadian funds) the market value of such fractional share of Dome on the Closing Date. For this purpose the market value of a share of Dome shall be the closing bid price of Dome shares on the Toronto Stock Exchange on the Closing Date or, if higher, the price at which the last trade in Dome shares (other than a trade in less than a board lot) was made on the Toronto Stock Exchange on the Closing Date.

6. If all certificates formerly representing shares of the Company held by former members of the Company who are not dissidents shall not have been surrendered to National Trust Company, Limited on or before June 30, 1972, in exchange for shares of Dome, Dome shall have the right on 60 days' notice to the said trust company and to all such former holders of the Company's shares, mailed to them postage prepaid at their last respective addresses as shown on the books of the Company, to decline to issue further shares of Dome pursuant to the Agreement or this arrangement after the expiration of the said period of notice; and upon the expiration of the said period of notice, the right of each former member of the Company to obtain shares of Dome or cash in lieu of fractional shares of Dome or any benefit whatever from Dome, the Company or the said trust company with respect to his certificates formerly representing shares of the Company, shall cease.

7. If, on or before the last date on which certificates formerly representing shares of the Company may be surrendered for Dome shares as aforesaid, the shares of Dome should be consolidated or divided or otherwise affected by any merger, amalgamation or re-organization, whether similar or dissimilar to that effected between the Company and Dome hereby, Dome shall have the right, upon any such consolidation, division, merger, amalgamation or re-organization, to issue hereunder, in lieu of Dome shares of \$2.50 par value, the new shares of Dome or securities exchanged for shares of Dome as a result of such consolidation, division, merger, amalgamation or re-organization, on the same basis as if each former member of the Company, who has not surrendered his certificate formerly representing shares of the Company, then held the number of Dome shares to which he would be entitled hereunder upon surrender of such certificate.

8. As soon as possible after the expiration of seven (7) days from the date upon which this plan of arrangement has been agreed to by the requisite majority of the members of the Company as provided for by Section 139 of The Companies Act, the Company shall apply to the Court for an order sanctioning the arrangement proposed hereby; and if any member of the Company who did not vote in favour of this plan of arrangement shall, within the said period of seven (7) days, have expressed his desire to dissent therefrom by a notice in writing addressed to the Company and sent to or left at its registered office, such notice shall be brought to the attention of the Court on the said application and the Company shall give notice to such member of any direction made by the Court.

9. After the Closing Date the directors of the Company, shall with all reasonable dispatch, mail or cause to be mailed to each former member of the Company who is not a dissident and whose name appears

in the register of members of the Company as at the close of business on the day prior to the Closing Date, at the address of such former member as it appears in said register, a notice of the right of such former member to receive the shares of Dome to which such former member is entitled hereunder as herein provided.

10. The Company may, by resolution of its directors, assent to any alteration or modification of this arrangement or any condition which the Court may think fit to approve or impose and may consent to any alteration or modification of the Agreement.

11. Notwithstanding the sanction of this arrangement by the Court, the Company may, by resolution of its directors, abrogate this arrangement in the event that the Agreement is terminated, as provided for therein, subsequent to such sanction.

12. References in this arrangement to "holders of shares of the Company", "former members of the Company", and "certificate formerly representing shares of the Company", shall not (except as used in subsection 4 (b) hereof) include Dome or the certificates for shares of the Company held by Dome, as the case may be.